APPROVED
by the General Shareholders’ Meeting of
CREDIT BANK OF MOSCOW
Minutes No. ______ dated ____.____.2019

CREDIT BANK OF MOSCOW

2018

ANNUAL REPORT

Correctness of information was confirmed by the Audit Panel of CREDIT BANK OF MOSCOW

* Pre-approved
by the Supervisory Board of
CREDIT BANK OF MOSCOW
Minutes No. 11 dated 16.April.2019

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KEY EVENTS

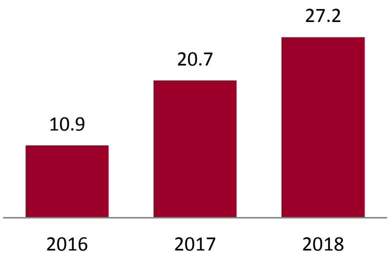
Key events – 2018

Month	Event
January	CBM debuted as Co-Manager of Eurobonds placed on London Stock Exchange for the largest Russian gold mining company Polyus Gold.
February	ACRA upgraded CREDIT BANK OF MOSCOW's credit rating to A(RU), "Stable" outlook. CBM placed a senior 5-year USD 500 mln Eurobond issue at the lowest rate ever – 5.55% p.a.
March	CBM signed a USD 400 million syndicated loan facility, one of the largest in its history. Global Finance magazine named CBM the Best Bank in Russia at its 25th Annual Best Bank Awards.
May	Expert RA rating agency assigned the ru A- credit rating to CREDIT BANK OF MOSCOW, with a "Stable" outlook.
June	CBM joined FCI in Russia, adding import factoring and non-recourse export factoring services to its range of financial solutions. CBM won "the Best Banking Corporate Governance Russia 2018" award in the annual competition held among financial sector companies by Capital Finance International. CBM bought back USD 55.8 mln in the aggregate principal amount of its two 5-year Eurobond issues (CBOM23 and CBOM21) in order to provide a degree of liquidity to noteholders.
July	CBM increased its capital by RUB 5 bln by placing domestic subordinated perpetual bonds, series 15. CBM won the Deposit Insurance Agency's tender for the assignment of Sovetsky Bank's assets and liabilities.
August	CBM became the only Russian company on the Forbes Growth Champions List which includes companies achieving maximum average annual income growth in 2014 – 2017. CBM bought back USD 50.0 mln in the aggregate principal amount of its two subordinated Eurobond issues (CBOM27 and CBOMperp) in order to decrease the Bank's cost of capital, optimise its capital structure and provide a degree of liquidity to noteholders.
October	CBM was ranked by Forbes among Russia's largest private companies as the 2nd largest financial sector player. CBM optimised its capital structure by a partial early redemption of USD 70 mln in the aggregate principal amount of subordinated Eurobonds (CBOM27 and CBOM perp).
November	CBM won the Technology of the Year nomination in the "Finance and Economy: Digital Solutions for Security" category for having

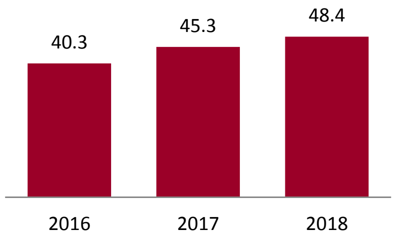
	implemented an AntiAPT solution, ensuring early detection of abnormal activities in IT infrastructure.
December	CREDIT BANK OF MOSCOW's annual report made it to the top 3 in the nomination "Best Annual Report Among Companies" Worth RUB 40-200 bln" at the XXI Annual Contest of Annual Reports organised by the Moscow Exchange and RCB media group. CBM won in the "Breakthrough of the Year" nomination of Cbonds Awards 2018.

KEY FINANCIAL PERFORMANCE INDICATORS

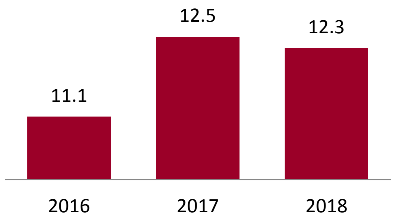
Net income (RUB bln)



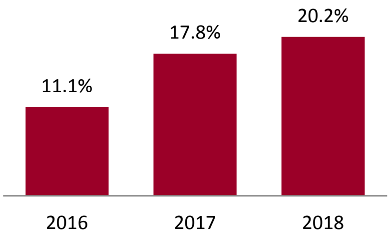
Net interest income (RUB bln)



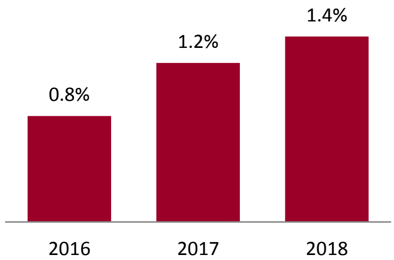
Net fee and commission income (RUB bln)



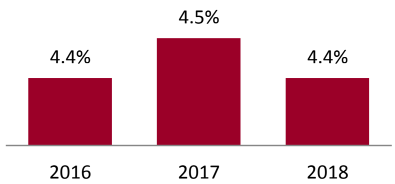
ROE (%)



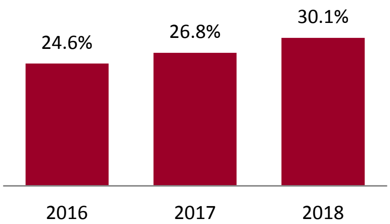
ROA (%)



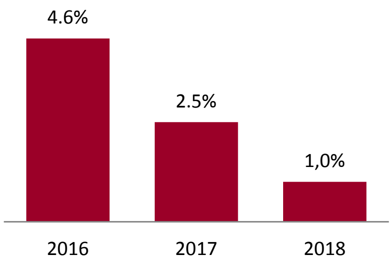
NII/RWA (%)



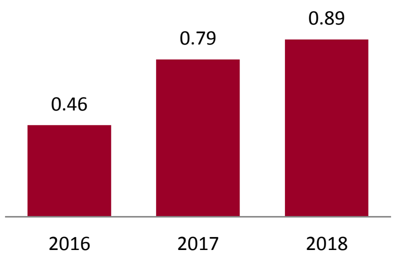
CIR (%)



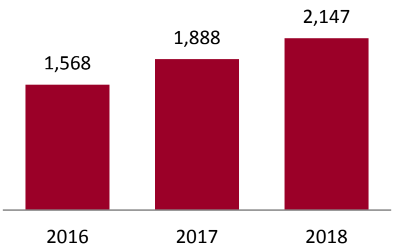
COR (%)



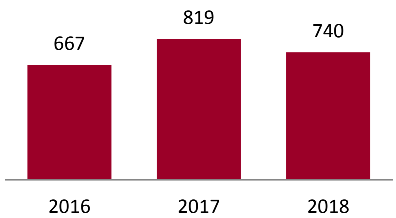
EPS (RUB)



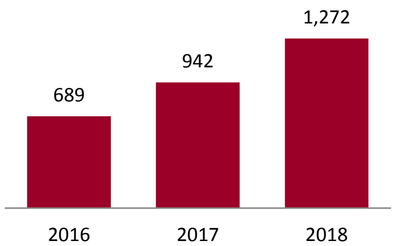
Assets (RUB bln)



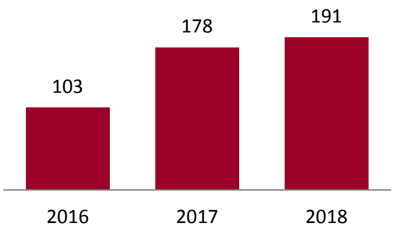
Loans to customers, gross (RUB bln)



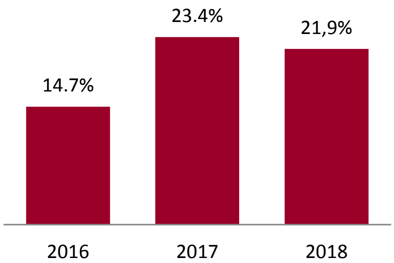
Deposits by customers (RUB bln)



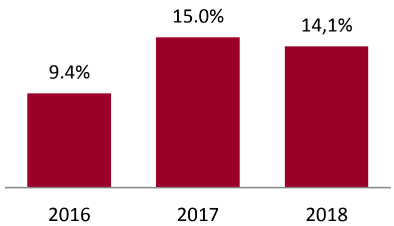
Shareholders' equity (RUB bln)



Capital adequacy ratio (%)



Tier 1 ratio (%)



MISSION AND VALUES.

CREDIT BANK OF MOSCOW is a reliable, privately-owned bank without governmental participation, with a long history, proven efficiency and flexibility. After more than two decades of work, CBM entered the "major league" of national banks. We continue to change ourselves to become better for our customers and partners.

Our mission is to be a reliable, helpful and insightful financial assistant for customers and partners, thus promoting the development of each of them and the national economy on the whole.

Vision

- Be effective to remain reliable
- Offer high-quality solutions at acceptable prices
- Guarantee convenience, user-friendliness and high-quality expertise

Values

Each day we seek to do more and become better. We know how to work in tough circumstances and overcome difficulties. We know how to be flexible and find the best solutions in changing market conditions. We increase efficiency to remain reliable.

We value the trust of our customers, partners and society. We foster long-term relationships with them as we understand the high extent of our responsibility.

We want all our services and products to be advantageous, understandable and convenient, and all our interaction channels to guarantee quality and friendliness.

STRATEGIC REPORT

1. *Address of the Chairman of the Supervisory Board*

DEAR SHAREHOLDERS, INVESTORS, CUSTOMERS AND PARTNERS!

We have together overcome another year in a changing and somewhat challenging macroeconomic environment, on one hand, and stronger Russia performance compared with the other emerging markets, on the other.

Globally, slower growth of the international economy, trade wars, turbulent emerging markets, higher uncertainty around Brexit and the pressure of sanctions trigger instability and negative investor sentiment in the capital markets. At the same time, Russia, being quite resistant to these negative external factors, fundamentally remains strong and attractive from the investors' perspective, even though the uncertainty connected with further sanctions expectations still remains. Oil price elasticity of the rouble is now close to its minimum levels ever thanks to the efficiency of the budget rule. Inflation levels and inflation expectations of the population, although rising to a certain extent at the end of 2018, are still under control and are efficiently managed by the balanced policy of the CBR. Economic growth is expected to be rather modest in 2019, influenced by growing tax rates and the sanctions factor, but economic stability, a healthier banking system, recovered consumption and production levels as well as considered measures of the regulators ensure resilience of the Russian economy to external shocks.

Russian banking sector stability has been showing robust improvement in the recent years. The system is getting healthier, though leading to higher concentration levels and tougher competition. Being overliquid and struggling for sufficient healthy demand from corporates, banks now focus on tailor-made services, their core business niches and they are trying to develop differentiated products and services, including by means of active IT development and improvement of services quality.

Throughout 2018, CBM asserted its title of the largest listed private bank in Russia and one of the strongest market players active in all the business spheres, even those not accessible to its peers. We successfully withstood challenging market movements and reached year end with a stronger balance sheet, higher returns, a broader international presence and management team reinforcement. We also successfully developed our product proposition and can now do more for our clients, including sophisticated IB products.

Our investor and creditors base is now wider with additional international syndicated loan and senior Eurobonds raised last year jointly totalling almost USD 1 bln. We are now going beyond customary regions of presence, having successfully explored business opportunities in Asia and the Middle East. Our capital structure was notably optimised in 2018 with the replacement of part of the USD-denominated capital instruments with a local Tier I bond issue, with profit generated from cancellation of part of the subordinated Eurobonds locked in the capital.

In 2018, our management team was strengthened with the expertise of three new Management Board members, whose positive contribution to our customer relationships, brand awareness and strength, business processes and efficiency, product offering and internal procedures has already proved to be significant. In 2019, we have continued to reinforce our staff and welcome the fresh outlook of our new colleagues.

In 2018, the Supervisory Board continued its work on improvement of corporate governance at the Bank. In particular, it renewed the plan, the aim of which is to comply more with the Code of Corporate Governance of the Russian Federation and to satisfy more interests of the Bank's stakeholders; it widely reviewed and monitored changes in Russian legislation pertaining to corporate governance and renewed internal regulations. Based on results of work of the Supervisory Board in 2018, it arranged external evaluation of the Supervisory Board, which showed positive changes in collaboration of management and the Supervisory Board. We also won the Best Banking Corporate Governance award from Capital Finance International last year, highlighting that the Bank's business model, built on openness and effectiveness, traditionally represents a hallmark of quality in corporate governance.

We are happy to be there for our clients and partners, to ensure excellent performance and higher returns for our investors and shareholders. We will keep on developing our business and doing our best to post at least the same success as we have managed to achieve thus far. Thank you for being with us and choosing CREDIT BANK OF MOSCOW as your reliable services provider and investment target!

Chairman of the Supervisory Board **William Forrester Owens**

2. Address of the Chairman of the Management Board.

DEAR SHAREHOLDERS, INVESTORS, CUSTOMERS AND PARTNERS!

2018 saw stronger performance of the Russian economy in general, and record-high profits in the Russian banking sector – all that despite the market volatility and geopolitical complications. We are pleased to report about another successful year for CREDIT BANK OF MOSCOW and our contribution to the national economy growth and the development of our customers' businesses and personal wealth, supported by wider geographic coverage of our operations.

We are now the second largest privately-owned bank by assets. Last year the Bank's assets grew by 13.6% to RUB 2.1 tln, net income by 31.5% to RUB 27.2 bln. It demonstrates high operational efficiency with a cost-to-income ratio of 29.8%.

Today the Bank services more than 15,000 corporate customers and 1.5 mln private customers. Their deposits expanded by 35.1% last year and reached RUB 1,272.2 bln. These figures result from our consistent efforts to build long-term, trust-based relationships with our customers, and to improve the service quality and product offering.

Crucial changes took place and opened for us new customer acquisition opportunities and new segments. The Bank's branch network, confined previously to Moscow area, reached new cities in the North-West and Central Federal Districts. Last summer CBM won a tender for partial assignment of Sovetsky Bank’s property and liabilities, launching thus its business in other regions quite quickly and with minimal investments. As at end-2018, the Bank had more than 130 branches. We eagerly come to the new regions with financial solutions based on our successful strategy and business model that proved effective in the country's financial centre.

We continue to exploit our advantage – access to the international capital market, having borrowed there almost USD 1 bln in 2018 and carrying on active IR work all over the world. Our spotless reputation in the international markets and 20-year-long history of international operations bear witness that the Russian banking sector has strong stories demonstrating consistently high results amid a quickly changing external environment.

Our solid market positions and quality of business were confirmed by the rating agencies, which affirmed our ratings and, in the case of the ACRA rating agency, even upgraded the Bank’s ratings. Apart from the independent rating agencies, our strong market positions were confirmed by the professional international community. CBM was named best bank in Russia by Global Finance magazine for its profitability, geographic reach, strategic relationships, new business development and innovation in products. It is noteworthy that Forbes included CBM, the only Russian company, in its Growth Champions List for income growth achieved between 2014 and 2017, evidencing the significant contribution of CBM to economic growth. Our product range extension was recognised by Cbonds with the Breakthrough of the Year award assigned to CBM for tapping top 10 bond arrangers and underwriters in Russia, having arranged 19 bond issues last year.

CREDIT BANK OF MOSCOW does not rest with the achieved results, and goes for ambitious goals in 2019. Our top priority is to remain a safe financial partner for our customers and counterparties, the investment target of choice for our investors and lenders, a friendly and dynamic employer for our personnel promoting effective and innovative teamwork, and a value grower for our shareholders.

Chairman of the Management Board **Vladimir A. Chubar**

3. Management Responsibility Statement

I hereby certify that, to the best of my knowledge:

(a) the financial statements prepared in accordance with the International Financial Reporting Standards and Russian Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of CREDIT BANK OF MOSCOW and

(b) that the management report includes a fair review of the development and performance of the business and the position of CREDIT BANK OF MOSCOW together with a description of the principal risks and uncertainties that it faces.

On behalf of the Management Board: Vladimir A. Chubar

Chairman of the Management Board

4. Economy and banking sector

Macroeconomic update

The Russian economy advanced 2.3% yoy GDP growth in 2018, following a 1.6% expansion reported in 2017. Retail trade, agriculture and services sectors showed slower growth, while industrial production, construction and cargo turnover were primary drivers of faster GDP growth in 2018.

Russia's industrial production advanced 2.9%, following a 2.1% gain in 2017. Retail sales advanced by 2.3% yoy while disposable income contracted by 0.2% for the fifth year in a row. Positive dynamics of the retail sector is explained by expanded growth in retail consumer lending +20% yoy.

Manufacturing PMI registered 51.7 in December, down from 52.6 in November. The latest headline figure was the third-highest in 2018 and brought to a close the strongest quarterly expansion since the third quarter of 2017. Growth was supported by solid upturns in production and new business confidence strengthened and was the second highest since May 2013

The services PMI posted 54.4 in December, down from 55.6 in November. The latest expansion was slightly lower than last month, yet the last quarter showed one of the best expansion dynamics for several years. Service sector firms registered a sharp rise in business activity in November. The upturn in output was supported by a robust increase in new business. Foreign demand also strengthened, with new export orders expanding at the quickest rate since July.

The overall economy showed strong performance relative to maximum output potential. However, the data for full-year figures is questionable due to sharp restatement for the construction sector in December. This restatement helped to push GDP to 2.3% growth compared to a market consensus of only 1.6%. Controversially, the data for residential construction and building materials cargo turnover suggests a weaker year for the construction sector. Apart from economy gains from oil price recovery, the consumer sector and non-oil corporates demonstrated no significant improvements.

According to the Forecast of social and economic development of the Russian Federation for the period up to 2024 of the Ministry of Economic Development of the Russian Federation, the year 2019 is expected to be weaker because of the shift of an active phase of implementation of national projects closer to the middle of year and increase in tax burden since the beginning of 2019 and also taking into account the moderate and rigid monetary policy of the Bank of Russia directed to control of inflationary expectations. The current consensus forecast for 2019 assumes growth rates of GDP of 1.3-1.5%. Further, by 2020, the growth rate of GDP will reach 2% and will have a trend on increase.

Assets

	01.01.2017		01.01.2018		01.01.2019	
Breakdown of financial institutions by assets	**RUB bln**	**% of the total**	**RUB bln**	**% of the total**	**RUB bln**	**% of the total**
Top 5	44,233	55.3	47,514	55.8	56,866	60.4
6th to 20th	18,258	22.8	20,007	23.5	19,925	21.2
21st to 50th	8,445	10.6	9,168	10.8	9,231	9.8
51st to 200th	7,520	9.4	7,196	8.4	7,153	7.6
From 201st	1,608	2.0	1,307	1.5	910	1.0
Total	**80,063**	**100.0**	**85,192**	**100.0**	**94,084**	**100.0**

Source: CBR

- In 2018, the number of credit institutions operating in Russia declined by 14% and amounted to 484, of which 440 are banks.
- The level of concentration in the Russian banking sector continues to grow. The share of TOP-5 banks added 4.6 ppt in 2018, reaching 60.4%.
- Russian banking sector assets increased by 10.4% in 2018 to RUB 94,084 bln.

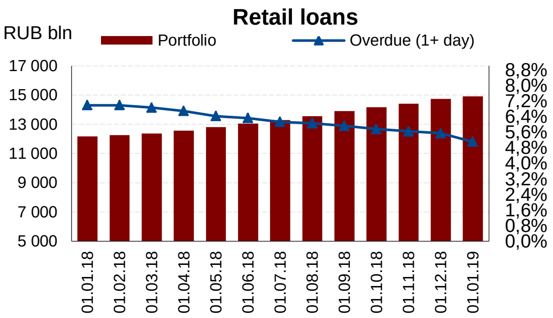
- Net of the currency revaluation effect, the asset growth rate was two times lower and amounted to 6.2% for the same period.

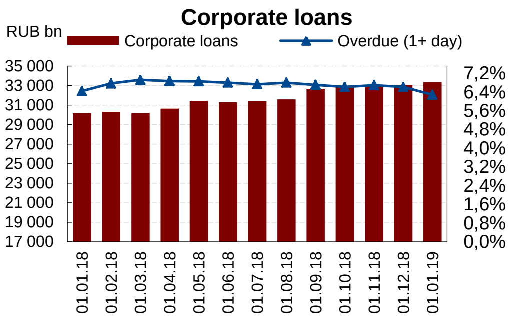
Loan portfolio

RUB bln	1-Jan-18	1-Jan-19	Change, yoy
Corporate loans	**30,193**	**33,372**	**10.5%**
overdue	1,942	2,093	7.8%
as% of loans	*6.4%*	*6.3%*	
Retail loans	**12,174**	**14,901**	**22.4%**
overdue	849	760	-10.4%
as% of loans	*7.0%*	*5.1%*	
Total loans	**42,366**	**48,273**	**13.9%**
overdue	2,791	2,854	2.2%
as% of loans	*6.6%*	*5.9%*	

Source: CBR

- The corporate loan portfolio expanded by 10.5% while, net of currency revaluation, the growth rate was two times lower at 5.1% in 2018.
- Retail loans advanced by 22.4% in 2018. The mortgage loan portfolio increased by 23.1% for 12M 2018 to RUB 6.6 tln. Unsecured consumer loan portfolio expanded by 22.8% to RUB 7.4 tln for 12M 2018.





Source: CBR

- Overdue loans in the corporate loan portfolio increased by 7.8% in 2018 and amounted to 6.3% of total corporate loans.
- Despite the explosive growth of the retail loan portfolio and the declining income of Russian citizens, the quality of loans remains relatively stable. The share of NPLs declined to 5.1% as of 1 January 2019 from 7.0% as of 1 January 2018. The volume of overdue loans declined by 10.4% in absolute terms.

Funding base

RUB bln	1-Jan-18	1-Jan-18	Change yoy
Customer accounts (current+term)	**53,703**	**60,702**	**13.0%**
Retail deposits	25,987	28,460	9.5%
Corporate deposits and current accounts	27,004	31,424	16.4%

Source: CBR

- Total customer accounts increased by 13.0% in 2018.

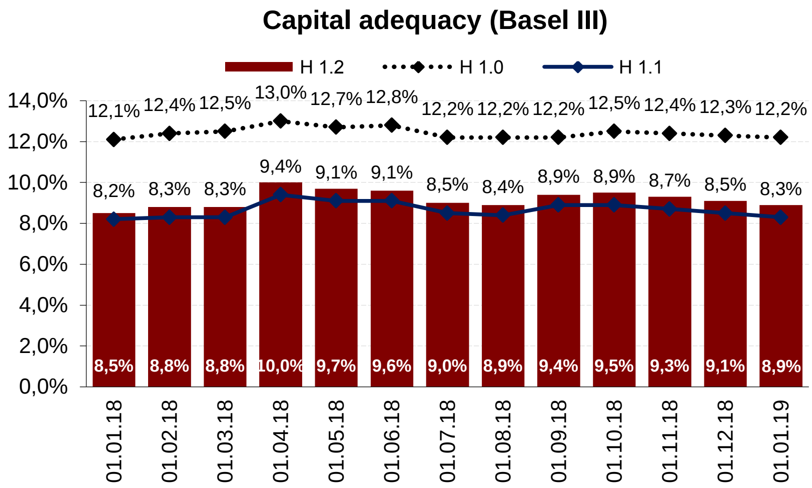
- Retail deposits increased by 9.5% in 2018 (+5.5% net of currency revaluation effect). Half of the yearly growth was backed by December inflow (+4.8% in nominal terms and +3.9% net of currency revaluation).

- Corporate accounts showed a two-digit growth of 16.4% in 2018, supported by higher income of raw materials exporters.

Earnings and capital adequacy

- The total earnings of Russian banks amounted to RUB 1,345 bln in 2018 vs. RUB 790 bln reported in 2017. We recall that at the end of 2017 to early 2018, sector earnings were under pressure of substantial losses from write-offs in banks under the state restructuring process.

- The level of profitability in the sector improved, ROA increased by 0.6 ppt to 1.6% in 2018, ROE was 13.4% as of 1 January 2019 vs. 8.1% as of 1 January 2018.



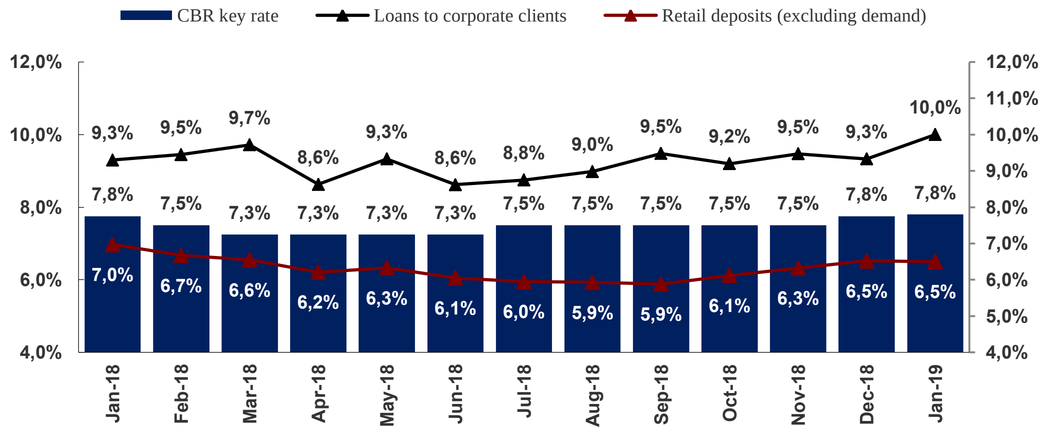
Source: CBR

- The capital adequacy level remained stable throughout the year. H1.0 ratio stands at 12.2% as of 1 January 2019.

Interest rates

- Average rate for loans to non-financial organizations increased to 10.0% at the end of 2018 from 9.5% at the end of 2017. Average rate for retail term deposits was 6.5% as of 1 January 2019. The Key rate (CBR) amounted to 7.75% at the end of 2018.

Average rates of banks in Russia, excluding Sberbank (in Roubles)



Source: CBR

5. Business model. Competitive advantages. Position in the industry.

Business model

CREATED VALUE

Shareholders and investors	Customers	Personnel	Society
Net income of RUB 27.2 bln in 2018	High quality services, with a 18% customer base growth in 2018	9,305[1] employees	Charitable campaigns organised by the Bank's employees in co-operation with the *Arifmetika Dobra* charity

UNIQUE OPERATING MODEL

Stable corporate business	Retail banking: high-quality customer base	Investment business: creating synergetic effect within the Group	One of the largest cash handling services providers in Russia	International business: active player in international capital markets	Transparent ownership structure and high corporate governance standards
- Focus on strong big and medium state-owned and private companies in target segments - Wider coverage of Russian "blue chips" - Strategic focus on fee products to maximise fee income growth and cross sales - Expanding share of settlement	- Target market segments: consumer and mortgage lending - Thorough customer screening based on a rigorous underwriting policy aimed at maintaining high loan portfolio quality - Differentiated risk appetite based on customer segmentation	- Active cross sale of value-added instruments - A team of highly experienced professionals - Access to global markets - Full range of investment banking services: ECM, DCM, M&A, equity financing etc. - Focus on low risk	- Starting point for acquiring new customers and increasing loyalty - Powerful tool to monitor customers' cash flows - Ability to directly debit customer accounts to repay their overdue loans. - Maintenance of proprietary and partner banks' network of payment	- The most active Russian bank by public transactions in the international capital market over last years (IPO in 2015, SPO in 2015 and 2017, 3 Eurobond issues in the last 2 years, international syndicated loans) - Using a strong international business franchise to further diversify the funding base by maturities,	- Reputable minority shareholders, including EBRD - Full compliance with best international corporate governance practices - 5 out of the 10 Supervisory Board members are independent directors, and 2 more are nominees of minority shareholders

[1] The number of banking group employees (CBM, SKS, Inkakhran)

UNIQUE OPERATING MODEL						
	products, money transfers, demand deposits - Participating in financing projects for public-private partnerships	- Potential for entering regional markets - Effective multi-channel sales and service platform: 132 branches, over 1,200 proprietary ATMs, over 7,000 payment terminals -Customer service digitalisation, focus on remote banking channels - Extending regional presence	deals with prime counterparties and efficient utilisation of capital	terminals and ATMs	sources, instruments and counterparties - The most favourable position in the current market conditions to access international capital markets, plus wide experience	

RESOURCES	Financial capital	Intellectual capital	Human capital	Social and reputational capital
•	• The Bank enjoys a well-diversified funding structure, including, in particular, corporate, retail and bank deposits. • The Bank's high credit ratings from three leading international and two Russian rating agencies and unstained financial history give it access to international funding and allow it to tap capital markets actively. • In 2018, the Bank raised USD 500 mln through a Eurobond issue and USD 400 mln through a syndicated loan, becoming the sole Russian financial institution to successfully close 2 international syndicated loan transactions in the last 2 years.	• The Bank's technical development policy is to choose optimal automation solutions, improve operational efficiency and ensure information security. • Accumulated knowledge and advanced procedures have already proved their effectiveness: latest-generation scoring systems, upgraded loan pipeline and retail business IT systems – all of that helped to fully automate processes and minimise credit risk. • Up-to-date CRM tools enable the Bank to respond promptly to customer needs and optimise the coverage of subdivisions' work.	• The Bank's HR strategy is aimed at attracting, developing and retaining highly qualified and efficient employees. • Within the framework of human capital development and generation of an effective team, CBM employs the best HR practices - an annual assessment of employees' activities within the framework of the employee performance management system, a modular system approach to training based on individual employee development plans, use of modern adaptation methods, development of internship programs, automation of HR processes. • The Bank has an experienced and reputable management team. • The Bank has an open and supportive corporate culture, as well as a developing environment, aimed at making corporate social responsibility (CSR) part of the Bank's corporate culture.	• Emphasis is placed on commitment to key standards and values adopted by the Bank and shared by its employees and management. • CBM has successfully created an attractive and recognisable brand based on its good reputation in the banking market and high service quality. • The Bank has a strong commitment to social and environmental responsibility. • The Bank contributes to welfare efforts and charitable campaigns in co-operation with the *Arifmetika Dobra* charity

Competitive Advantages

STRONG FINANCIAL PERFORMANCE BASED ON ORGANIC GROWTH

The Bank has been profitable over many years of organic growth. The Bank's total assets rose by 78% from 31 December 2015 to 31 December 2018, while its return on equity and return on assets were 19.9% and 1.4%, respectively.

• Thanks to its successful, ever profitable business and shareholders' support, CBM is able to show high results not only in periods of economic growth, but also amid financial turbulence.

• The Bank looks at various possibilities to expand its business. For instance, in July 2018, CBM won the DIA's tender for assignment of Sovetsky Bank's property and liabilities. As a result, CBM gained a substantial pool of private deposits and a branch network spanning 17 regions of Russia, with minimum infrastructure and marketing costs. However, CBM's business model and strategy remained unchanged, save for certain region-specific adjustments.

THE BANK'S SUSTAINABLE BUSINESS MODEL

• Balanced loan portfolio structure focusing on corporate business with large and medium-sized businesses (including Russian blue chips) prevailing.

• Cash handling service instrumental in monitoring liquidity risks of certain customers representing the wholesale and retail trade segment.

• Active development of investment banking business to deliver synergy with corporate and retail businesses and propel further growth of the Bank's business.

• Balanced growth of retail business, based on a deep understanding of the target customer and a focus on highly creditworthy customers.

• Use of cross-selling and other channels for retail customer acquisition and servicing, including its 7,000 payment terminals that provide the payment history of every second person applying for a loan. This unique source of information minimises the risk of fraud associated with walk-ins and ensures good quality growth.

HIGHEST SERVICE STANDARDS: A FLEXIBLE AND INNOVATIVE APPROACH TO BANKING SERVICES

• Pursuing a flexible customer policy and fast decision-making thanks to proven procedures.

• Constant improvement of customer experience by using advanced information technology and offering innovative products.

• Active development of delivery channels, including full-scale branches working until late 7 days a week and remote banking services (ATMs, payment terminals, Bank-Customer Electronic Payment Systems, MKB Online Banking System and mobile applications) to sell banking products and provide a wide range of financial options.

• Giving customers access to a Russia-wide united system of payment devices thanks to partner programmes with other major Russian banks.

HIGHEST RISK MANAGEMENT STANDARDS: EMPHASIS ON ASSET QUALITY

• Conservative risk management approaches, strict underwriting procedures and unique risk monitoring instruments, helping to maintain a low level of overdue loans compared to the Bank's competitors.

• Lending to good-quality corporate borrowers and, retail-wise, to existing customers, corporate customers' employees and partners, and public sector employees.

• Sectoral diversification of the loan portfolio.

• Low-risk securities portfolio with virtually no investments in high-risk instruments such as shares and securities of limited liquidity.

HIGH OPERATING EFFICIENCY WITH FURTHER GROWTH POTENTIAL

Maximisation of operating efficiency through centralised decision-making, concentration on the corporate segment, rigid cost control, and active development of remote service channels and innovative products, reducing the workload of the Bank's branches.

EXPERIENCED TEAM

• The team of managers has vast Russian and international experience and a profound insight into the Russian business environment.

• The Supervisory Board includes experts of international standing, having extensive experience in various fields such as international finance, investments and capital markets.

• Effective work of the Supervisory Board's committees, adhering to high international corporate governance standards.

SHAREHOLDERS' SUPPORT

• The Bank's shareholders have always provided additional capital as necessary to support its growth.

• Well-reputed international financial institutions among the Bank's shareholders contribute global experience to its corporate governance.

• The Bank's successful SPO on Moscow Exchange in 2017 helped broaden the ranks of its shareholders, providing additional support for further business development.

Position in the industry

2018 saw a growing concentration of the banking system. The top-twenty banks' share in assets increased from 80.4% as of 31 December 2017 to 81.8% as of 31 December 2018, and there are still only two privately-owned banks among the ten largest banks by assets.

Despite the toughening competition in the banking market amid the changing macroeconomic environment, CREDIT BANK OF MOSCOW continues to demonstrate high adaptability and confirms its standing as one of the largest Russian privately-owned banks. The Bank increased its market share in corporate lending by 3.44 pp since 2014 to 4.30% as at end-2018. Its market share in retail lending was 0.73% as at end-2018. Over that period, the Bank's market shares in corporate and retail deposit-taking expanded by 2.16 and 0.42 pp, reaching 3.16% and 1.29%, respectively.

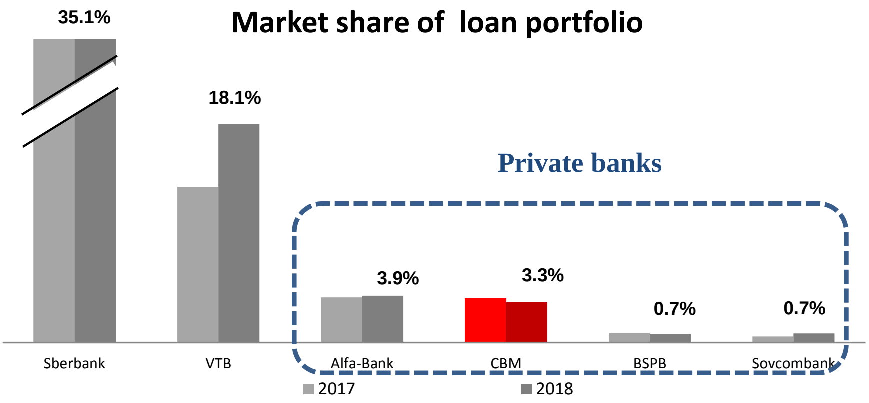
The Bank's key competitors in corporate lending are: Sberbank, VTB, Gazprombank, Russian Agricultural Bank, Alfa Bank and UniCredit Bank. Retail lending competitors include: Sberbank, VTB, Alfa Bank and Raiffeisenbank.

Evolution of the Bank's market shares

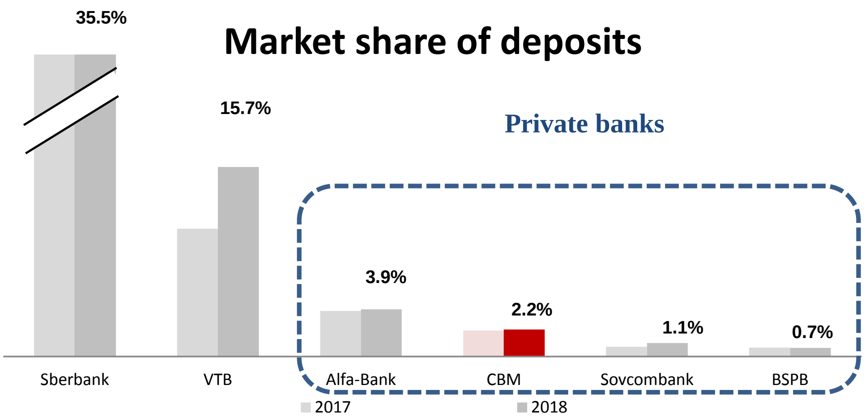
	2014	2015	2016	2017	2018
Corporate loans	0.86%	2.01%	3.07%	4.38%	4.30%
Retail loans	1.17%	1.15%	0.95%	0.92%	0.73%
Corporate deposits	1.00%	2.98%	2.24%	2.99%	3.16%
Retail deposits	0.87%	0.90%	1.01%	1.23%	1.29%

Source: banki.ru

Among Russian private banks, CBM consistently maintains the second position in terms of market share of the total loan portfolio and the volume of attracted deposits of corporate and retail customers, which amounted to 3.3% and 2.2%, respectively.



Source: banki.ru

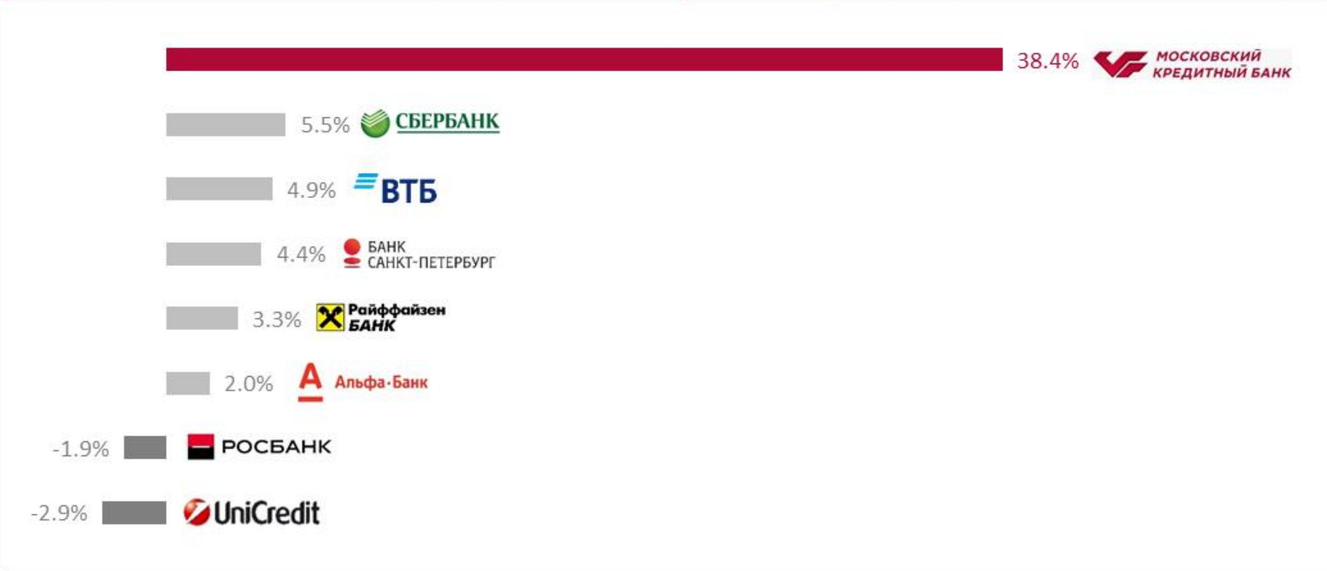


Source: banki.ru

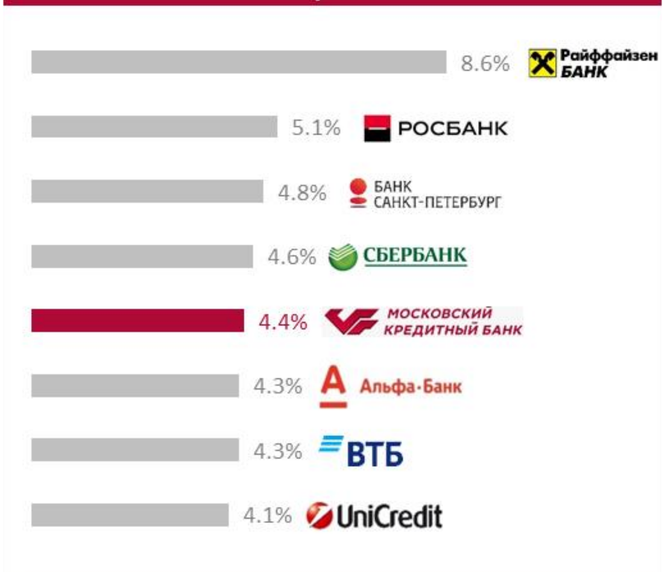
At the same time, CBM continues to show high financial results. As of 31 December 2018, CBM was the leader among its main competitors in terms of operating efficiency, quality of loan portfolio and asset growth rates, while maintaining high profitability ratios.

Comparison with competitors

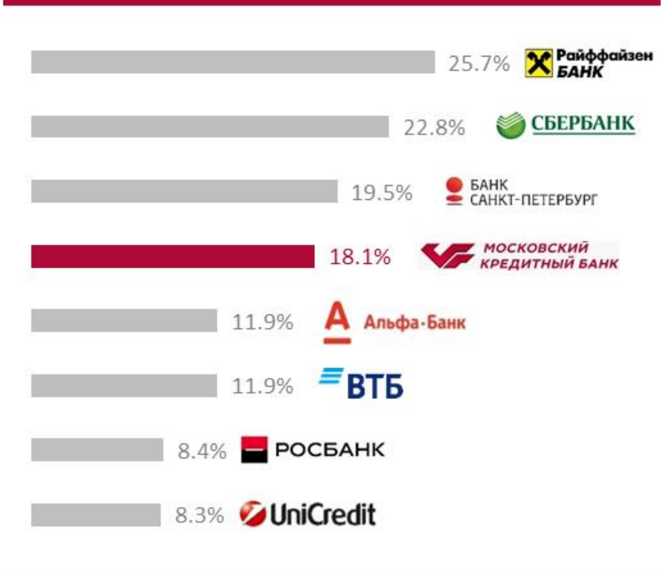
ASSETS CAGR (2014-2018)



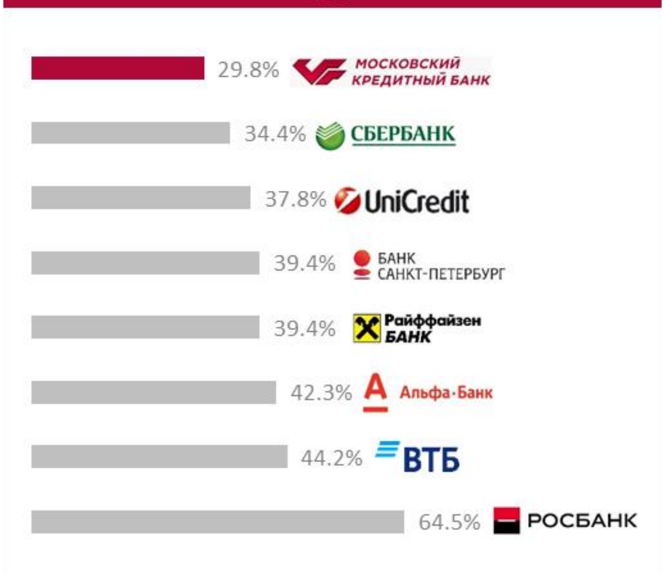
NPI/RWA



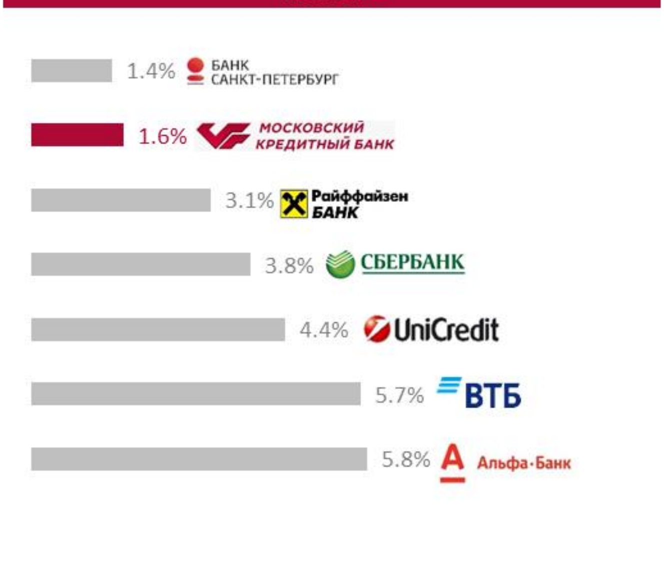
ROAE



CTI



NPL 90+



6. *Strategy*

CBM's strategic objective is to strengthen its market positions among the leading universal commercial banks to consolidate its status as the bank of choice for its customers and become the bank of choice for international business. It aims to develop and improve further its corporate and retail banking products and services based on best international and Russian practices and thus maintain sustainable performance.

The key elements of CBM's strategy:

Goals	Tasks	Results
1) Maintain high asset quality	➢ Optimise and enhance its risk management ➢ Limit high-risk business lines ➢ Shift focus in lending towards less risky segments	➢ The ratio of NPLs (90+ days) to the gross loan portfolio fell from 2.4% to 1.6% in 2018. ➢ The cost of risk (COR) dropped from 2.5% to 1.0% as at end-2018. ➢ The loan portfolio provisioning rate reduced from 6.1% to 4.2% in 2018.
2) Deliver further sustainable development	➢ Consolidate positions as the largest publicly-traded privately-owned bank ➢ Become the bank of choice for international business ➢ Concentrate on balanced and diversified growth with a focus on the corporate segment ➢ Concentrate retail business on high-margin consumer and mortgage loans to prime customers ➢ Create a synergetic effect within CBM by developing its investment business, expand business volumes ➢ Minimise cost of funding ➢ Upgrade the Bank's ratings	➢ The largest Russian publicly-traded privately-owned bank by assets ➢ Top-5 Russian bank by corporate loan portfolio ➢ Top-6 Russian bank by total loan portfolio ➢ Cbonds Award 2018 in the Breakthrough of the Year nomination for having arranged 19 bond issues in 2018 ➢ Top-10 bond arranger and underwriter in Russia
3) Enhance efficiency	➢ Maintain operational efficiency at a high level by optimising operating expenses and increasing operating income, and by developing further its management and control systems ➢ Fulfil actively its cross-selling strategy ➢ Focus on transaction business to increase the Bank's profitability and minimise risks and expenses	➢ Net income increased by 31.5% yoy to RUB 27.2 bln ➢ Further development of remote service channels ➢ CTI remained traditionally low (29.8% as at end-2017)

4) Develop IT tools to acquire and service customers and improve the cost/return ratio	➢ Develop its IT systems and solutions actively and continuously ➢ Deliver most in-demand and up-to-date services through its remote banking solutions ➢ Update the Bank's technologies for market needs	➢ For corporate clients: Continuous development of remote access services, including: • Foreign exchange control dashboard; • MKB Exchange; • Payment functionality added to the MKB Business mobile app; • The first host-to-host channel, 1S DirectBank, now in place; • The *Certificate Authority* project prepared ➢ For individuals: • Back office software continued to be replaced, which ensured successful completion of the Sovetsky Bank depositor support project. • Customer onboarding and administration processes were set up, FATCA and CRS self-certification put in place
5) Build a professional team	➢ Improve the staff's professional skillset ➢ Promote effectiveness and automate processes ➢ Create a bank-wide goal setting system, translating strategic goals to each employee	➢ The Bank's *School of Growth* project performs successfully, with more than 80 employees attending in 2018. ➢ Remote training channels used actively: more than 3,500 remote course completions took place in 2018. ➢ In 2018, a series of recruitment automation projects were launched, and steps were taken to prepare staff performance recording software
6) Strengthening the positioning and perception of the Bank	➢ Improving brand awareness and attractiveness ➢ Establishing a closer relationship with customers in order to maximize effective interaction between the Bank and its customers throughout the entire period of cooperation	➢ 1st place - Rating of banks by quality of service, SOTNIBANKOV.RU, January 2019 ➢ Growth of customer base by 18% during 2018

7. *Risk Management.*

The Bank's risk management goal is to ensure stability and soundness, to protect the interests of its shareholders' customers in carrying out its core activity, and to achieve the results envisaged by the Bank's strategy.

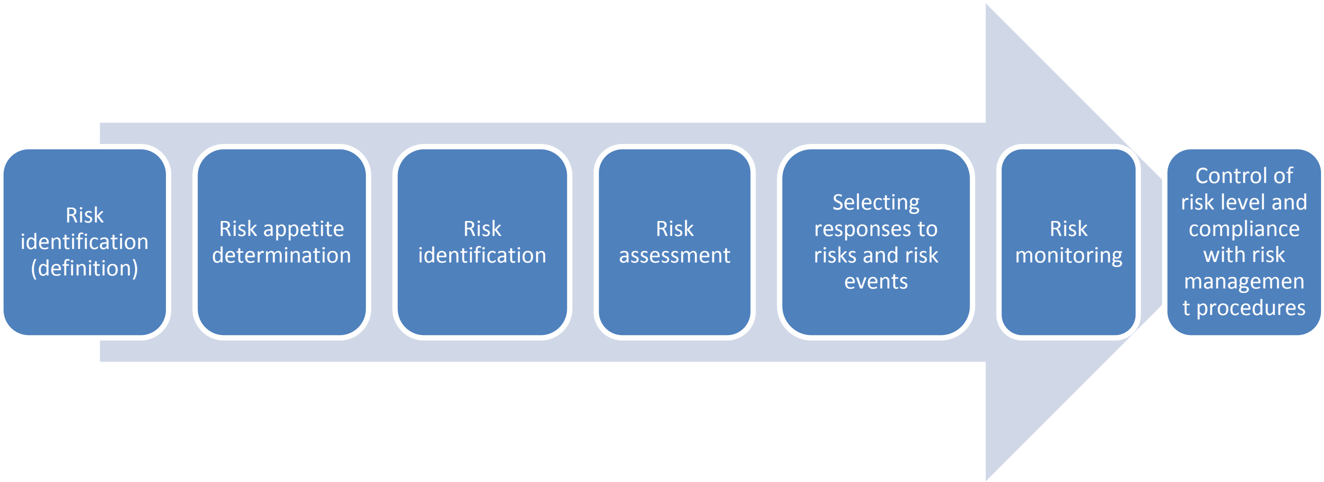
Risk management development principles.

The Bank's risk management system adheres and conforms to the following principles:

- The principle of compliance with the Bank's overall strategy as regards doing banking in the most effective way (i.e. with maximum profitability and minimum risks);
- The principle of risk management independence. Risk management subdivisions cannot form part of, or report to a senior manager who has oversight of, any subdivisions taking risks and fulfilling the Bank's business plan;
- The principle of risk managers' responsibility for the methodological, analytical, controlling and coordinating role in the Bank's overall risk management system;
- The principal of engaging the Bank's collective bodies and management in its risk management control procedures;
- The principle of taking action to minimise the probability of risks and/or mitigate the impact of assumed risks;
- The principle of risk managers' membership in all of the Bank's collective bodies (committees, commissions, panels, etc.) who have authority to assume any kind of risk;
- The principle of standardisation of products, services and processes for the Bank as a whole; provision of services at its places of presence in line with unified standards and technologies which provide the most efficient way to achieve targets and to prevent any human-caused unforeseeable losses resulting from any individual's adverse interference with the Bank's operations;
- The principle of three-level risk management:
  - strategic: risk management at the level of the Bank as a whole;
  - tactical: risk management at the level of specific business areas;
  - operative: risk management at the level of individual counterparties (borrowers, issuers), exposures, instruments and processes;
- The principle of full integration of the risk management function into the corporate governance procedure: all processes in the Bank should be built subject to compliance with the risk management policies and standards. The risk management function must be involved in making decisions to develop or implement new, or upgrade existing, objectives, plans or products of the Bank, and in setting priorities in its activities;
- The principle of building the risk management function as a centralised structure responsible for management of the Bank's critical risk types;
- The principle of arranging risk management functions by the following areas: risk determination, identification, assessment, monitoring, reporting and control;
- The principle of awareness and involvement of all concerned subdivisions in the Bank's risk management approaches and methods;
- The principle of risk analysis: no risks may be taken until analysed by the risk management function. The Bank shall not take any non-quantified or non-qualitatively assessed risk. The Bank may not assume any risk without cover or security, until its magnitude and likelihood is assessed;
- The principle of linking the risk management system organisation quality and the level of risk taken to remunerations, compensations and incentives of the Bank's executives and risk takers.

1. **Risk management stages and structure**

The Bank manages risks in accordance with the following stages, each involving responsible subdivisions/employees.



Risk identification (definition)

The Bank's bylaws give a wide list of risk types to which it can be exposed in its activities, specifying rules to qualify them as critical, describing the nature of their origin, and listing affected products, processes and operations.

Risk appetite determination

The Bank determines tolerances for critical risk types. Risk appetite indicator determination process and algorithms (for calculable indicators) are set out in the Bank's bylaws.

Risk identification

The Bank takes steps to identify any risks posed by operations made and products offered. Risk identification procedures are set out in the Bank's bylaws.

Risk assessment

The Bank performs qualitative and/or quantitative risk assessment. Assessment algorithms are set out in the Bank's bylaws and undergo testing for their relevance and effectiveness.

Selecting responses to risks and risk events

Based on risk assessment, the Bank takes, limits, shares or excludes a risk using risk management tools. Responses to risk events are selected based on their efficiency.

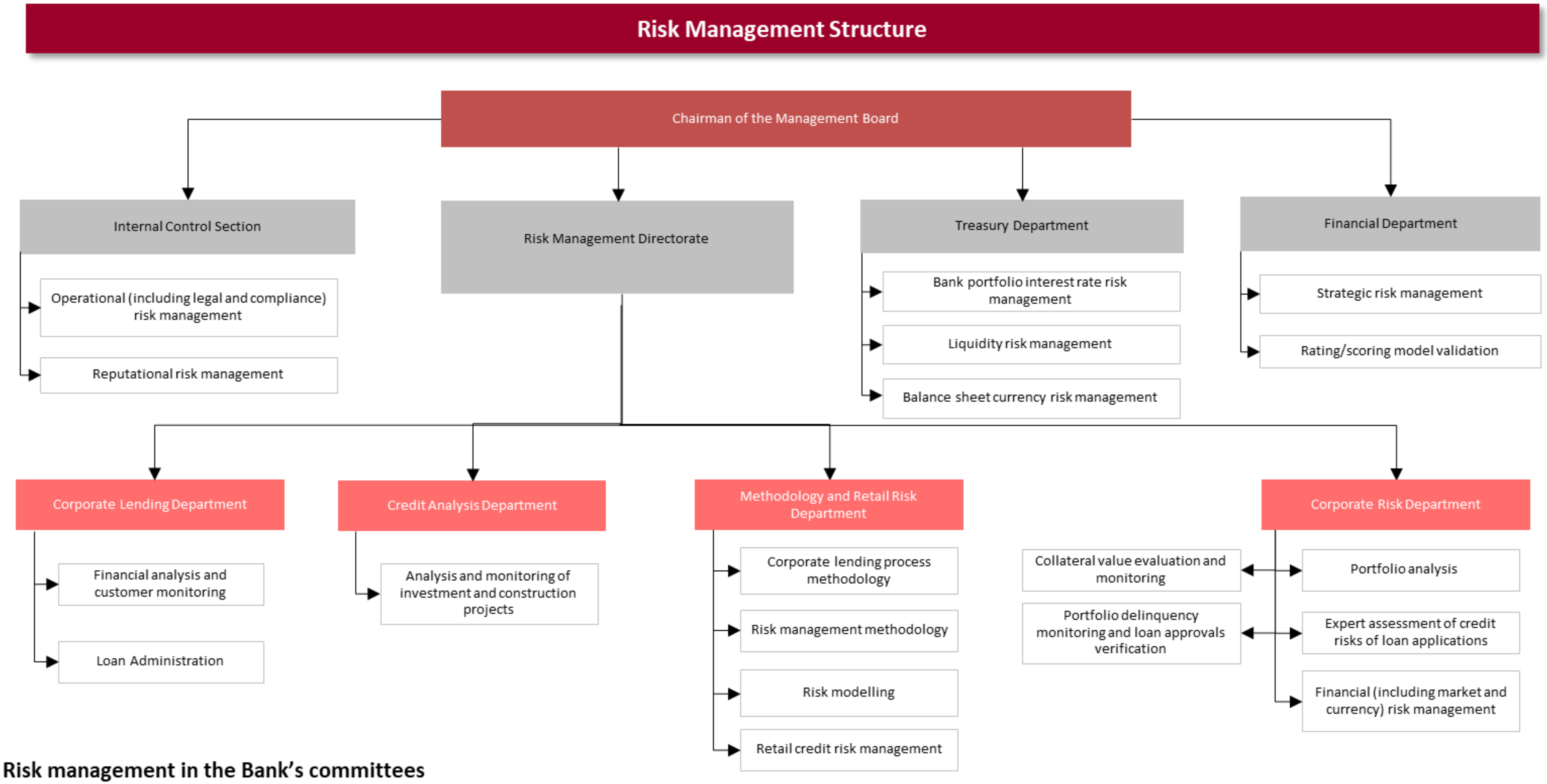
Risk monitoring

The Bank monitors risks taken and adds further responses in the case of a material increase in the level of a risk or a change in its profile. Monitoring procedures are set out in the Bank's bylaws. Monitoring results are reflected in the Bank's internal reporting.

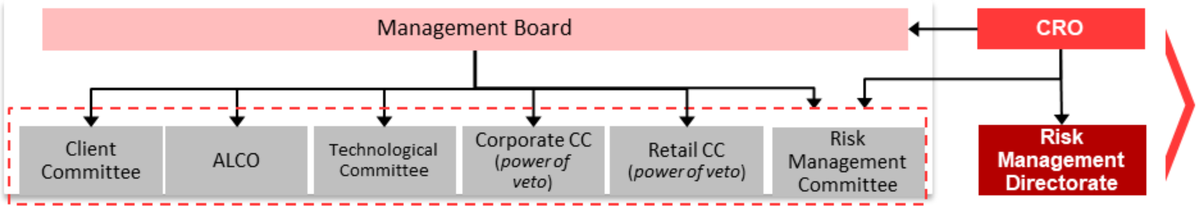
Control of risk level and compliance with risk management procedures

The Bank controls compliance with established limits, risk appetite indicators (key risk indicators) and other limitations. Three types of control are in place: prior, current and follow-up control. The Bank also controls compliance with risk management procedures. Control (including remote control) procedures are set out in the Bank's bylaws.

Risk Management Structure



Risk management in the Bank's committees



- ✓ **Is a member of all key committees**
- ✓ **Has the power of veto in the Corporate Credit Committee**
- ✓ **Special committee covering risk matters**

Qualitative performance indicators of risk management subdivisions

Closing each reporting period with COR below the ceiling is a key qualitative performance indicator of the Bank's risk management function.

Other important indicators are

Asset quality	Keeping key risk indicators (KRIs) of critical risk types below their ceilings	Monitoring indicators
Keeping overdue loans (90+) below the ceiling Achieving the recovery rate target	Credit risk (incl. credit risk of default and counterparty credit risk) Concentration risk Market risk Bank portfolio interest rate risk Balance sheet currency risk Operational (incl. legal and compliance) risk Liquidity risk Reputational risk Strategic risk	Compliance with structural and counterparty limits Loan portfolio duration

2. Major innovations in risk management by year

The Bank has established a mature risk management system which matches the scope of its activities and profile and ensures achievement of the goals envisaged by the Bank's Development Strategy. The risk management system is sufficiently flexible to ensure a prompt reaction to changes in the Bank's operating environment. The current risk management system has been shaped through achievement of goals and consistent implementation of the action plan in previous years.

2016

– The Bank's Risk and Capital Management Strategy was updated in line with changes in its operating environment and risk management priorities, and with key ICAAP requirements set out in CBR's Ordinance No. 3624-U.

– Critical risk quantification methodology was developed as required by CBR's Ordinance No. 3624-U, an ICAAP reporting system was developed and started to generate regular reporting for the Bank's governing bodies.

– Based on a graphic description, bylaws were prepared, outlining the corporate credit process and the related customer monitoring process.

– The responsibility for financial analysis of major transactions of the subsidiary leasing company was transferred to the Risk Management Directorate's subdivision covering credit analysis.

– Further steps were taken to automate the corporate credit process.

– The process of grouping legal entities and sole proprietors into holdings and holdings into financial groups was automated on the basis of CRM.

2017

–IFRS 9 provisioning methodology based on risk forecasting quantification models was developed, and automation of the reporting under this new standard was started.

–The Bank's Risk and Capital Management Strategy for 2017 was revised to account for the preliminary conclusions of the Bank's ICAAP review by the regulating authority. The strategy was also adjusted to reflect systemic importance surcharges to regulatory capital adequacy ratios, as the Bank had been included in the list of systemically important credit institutions.

–Introduction of ICAAP in CBM Banking Group was completed. The Group's Risk and Capital Management Strategy and the risk and capital management strategies of its affiliate credit institutions (SKS Bank and INKAHRAN) were approved. A regular ICAAP reporting system was developed to generate reporting for the Bank, its affiliated financial institutions, and the whole Group.

–The Risk Management Competence Centre was further developed on the CBM Group level.

–The CRM-based[2] automated process of grouping legal entities and sole proprietors into holdings and holdings into financial groups was further developed with respect to identification of relatedness criteria.

–Further steps were taken to automate the corporate credit process.

–The Bank's organisational structure was adjusted to prevent conflicts of interest in retail business by transferring the credit risk evaluation model (PD, LGD) development and application underwriting functions to independent subdivisions.

–A subdivision was created for centralised independent validation of risk quantification models.

2018

–The ICAAP bylaws (the Group's and the Bank's Risk and Capital Management Strategies) were optimised.

–CBM Group's ICAAP reporting was expanded. The reporting process was accelerated by automating procedures for gathering data and calculating the resultant risk indicators.

[2] CRM (Customer Relationship Management) is a software solution being the main customer relationship management system.

– The lending process was further optimised (by speeding up decision-making and origination while maintaining the quality of risk assessment procedures) and the corporate lending process was further automated.

–Steps were taken to improve the corporate customer rating system (by enhancing risk quantification models) and retail scoring models.

3. Risk criticality assessment

Ongoing development of the risk management system is crucial for timely identification and assessment of risks, and for efficient operation of the instruments developed to manage them. The Bank annually identifies and assesses risks inherent in its activities.

Criticality tests result in the Bank's risk map, serving as the basis for qualifying particular types of risk as critical to the Bank. The risk map grades the Bank’s risks. The aggregated value of any risks is calculated as the sum of points given by an expert.

Classification of identified risks by their criticality is based on a two-factor assessment:

- potential damage;
- probability (forecasted frequency of risk events).

Each factor is scored 1 to 3 points by surveying experts from subdivisions responsible for taking and managing the Bank’s risks. Critical risks are those scoring 4 or higher on the two criticality factors taken together.

Potential losses	**3 points**	**Liquidity risk** **Bank portfolio interest rate risk** **Strategic risk** **4**	**Credit risk** **Concentration risk**[3] **5**	**6**
	2 points	Transfer risk		

[3] *5 points were assigned to the following concentration risk subtypes:*

- *credit risk concentration (considerable exposure to a counterparty or group of counterparties);*
- *sectoral concentration (credit exposures to counterparties from one sector of economy involved in same business activity or selling same goods and services);*
- *concentration of liquidity sources (the Bank’s dependence on certain liquidity sources).*

		Technological risk Environmental risk Insurance risk Business risk Fixed assets devaluation risk Concentration risk[4] **3**	**Operational risk** **Reputational risk** **Concentration risk[5]** **4**	**Market risk** **Balance sheet currency risk** **5**
	1 point	Residual risk in credit risk Residual risk in market risk Residual risk in operational risk Securitisation risk Model risk Risk of decreasing fair value of interests in subsidiary and controlled JSCs, MFs Concentration risk[6] **2**	Migration risk **3**	**4**
		1 point	**2 points**	**3 points**
		Probability of risk/frequency of risk events		

Changes in the risk profile compared to 2018:

Technological risk and residual risk in operational risk were added to the long list of the most common (characteristic) risk types and subtypes inherent in the Bank's operations.

[4] *3 points were assigned to the concentration risk subtype "considerable investments in instruments of one type or instruments which value depends on changes of common factors".*
[5] *4 points were assigned to the concentration risk subtype "indirect exposure to concentration risk arising out of credit risk mitigation efforts (i.e. when the Bank takes identical types of collateral or independent guarantees issued by one counterparty)".*
[6] *2 points were assigned to the following concentration risk subtypes:*
- *the Bank's dependence on certain types of income;*
- *concentration of credit exposures to counterparties in one geographical area;*
- *concentration of credit exposures nominated in one currency.*

The annual identification procedure (whose results were approved by the Supervisory Board) did not lead to any changes to the list of critical risk types for 2019 compared to that for 2018. Other risks inherent in the Bank's business, including singular risks, are not critical for it because they did not receive, pursuant to its internal methodology, scores implying a material impact on the Bank.

The Bank at least annually deploys an action plan to identify risks and test them for criticality.

According to its risk map, the Bank qualifies as critical the following risk types:

Credit risk (incl. risk of default and counterparty credit risk)

Credit risk is the main risk to which the Bank is exposed given the nature of its business and balance-sheet structure. The source of this type of risk is the Bank's exposure to losses due to non-performance, late or partial performance by a debtor of its obligations to the Bank under existing agreements and to consequences of a deteriorated condition of its borrowers, counterparties or securities issuers. A deteriorated condition means a deterioration both in their financial condition and of other quantitative and qualitative indicators (business reputation, positions among competitors, sector indicators, state of the regional economy, etc.), i.e. all factors that can affect a borrower's, counterparty's or security issuer's solvency.

The credit risk includes:

1) Credit risk of default means the probability of the Bank suffering any losses due to a debtor defaulting on its contractual obligations to the Bank, or any impact from a deteriorated condition of a borrower, counterparty or securities issuer.

2) Counterparty credit risk, i.e. the risk that a counterparty fails to perform its contractual obligations before the relevant transactions are finally settled. Such operations are not made without prior evaluation of counterparties' financial condition and probability of counterparty credit risk events both before the settlement is over and while it is underway.

The Bank has in-house models to quantify the probability of default and other credit risk components used to estimate expected losses, required economic capital and risk-weighted assets. The Bank creates provisions for its lending operations in line with the risk it assumes, strictly as recommended or required by the Bank of Russia.

Credit risk is measured using an evaluation system involving analysis of counterparty-specific risk factors based on type and nature of business. Credit risk is limited (controlled) by means of a multi-level system of limits applicable to individual counterparties/exposures and to portfolios of exposures grouped by a certain attribute (sector limits, limits by activities and types of financing, limits on concentration of largest borrowers, etc.).

In order to reduce credit risk, the Bank limits the total amount of credit risk per borrower (group of related borrowers). All lending limit requests trigger an independent risk measurement aimed at a comprehensive and thorough analysis of potential borrowers. Credit risks are managed based on limits set for various types of transactions and subject to the regular monitoring of borrowers' creditworthiness. The Bank also thoroughly and prudently analyses potential and existing borrowers for economic safety and values collateral taken to secure borrowers' obligations to the Bank, subject to the subsequent monitoring of their availability and changes in their actual value throughout the entire life cycle of the loan product. All loan-related documents are subject to thorough legal due diligence.

Lending activities are coordinated, and related decisions are taken, by the Bank's credit committee whose members represent all subdivisions concerned, including risk management. Some of the Credit Committee's decision-making powers may be delegated to authorised officers. Credit risk management activities are coordinated by the Credit Risk Committee, a specialised management body reporting to the Management Board.

The principle of distribution of responsibility in credit risk management is reflected in the Bank's Risk Management Policy, Credit Policy and loan approval procedures.

Key credit risk management elements:

– The Risk Management Policy approved by the Supervisory Board is the Bank's framework risk management document, defining the goals, principles and tools of risk management;

– The Bank's Credit Policy which is regularly aligned with market conditions, the Bank's lending strategy and existing risks;

– Improvement of the formalised borrower appraisal principles and methods (rating models for corporate borrowers, scoring systems for retail business), risk- based application of the general principles of pricing, collateralisation and provisioning. In the reporting period, the Bank validated and revised its internal rating and scoring models to enhance their quality and bring them into line with best practices of quantitative credit risk evaluation;

– Control over limits for borrowers and groups of related borrowers, concentration limits, authority limits and other structured limits.

Measures taken in 2018 to minimise this type of risk

– Steps were taken to refine the description of risk analysis and monitoring procedures in the corporate lending process;
– The authority system, appraisals matrix and borrower business analysis procedure within the corporate lending process were updated;
– Limit system approaches were updated;
– Further steps were taken to deploy an automated system to control and gauge limit utilisation;
– Application models for retail customer evaluation were validated in cooperation with an external consultant. This project paved the way for a system of bylaws regulating the scoring model designing process;
– The application scoring model evaluating the probability of default for general purpose loans was revised and re-approved;
– New behavioural models were designed to evaluate the probability of default for all retail exposures;
– The Bank's default policy for corporate exposures was updated;
– The rating scale for corporate exposures classified as specialised lending was widened;
– Risk management performance indicators for retail lending and a set of performance indicators for certain credit process stages were updated.

Activities planned for 2019 to minimise this risk
–Refine collective bodies' rules regarding credit matters by standardising voting procedures, unifying and automating the preparation of their decisions;
–Introduce new approaches to corporate customer monitoring by reducing the event−signal time and organising quick monitoring based on various sources;
–Improve SME business procedures as regards control and adjustment of the risk profile of guarantees issued under federal laws 44-FZ and 223-FZ;
–Design hybrid credit risk assessment models for more accurate targeting of the Bank's loan portfolio and capital (Data quality management);
–Optimise the retail lending process for business owners/sole proprietors;
–Update the retail lending limit system approaches;
–Develop a workflow manual to control conditions subsequent in retail lending;
–Take steps to optimise and develop underwriting.

Market risk
The source of this type of risk is the Bank's exposure to losses and negative consequences due to adverse changes in the market value of financial instruments in its trading book and derivatives, and

in exchange rates of currencies and/or precious metals.

The market risk includes:

instrument interest rate risk, i.e. the exposure to adverse effects from unfavourable changes in interest rates of the trading portfolio instruments (in particular, the risk of negative revaluation of the trading portfolio as a result of changes in fixed income interest rates);

instrument currency risk, i.e. the exposure to adverse effects from changes in FX rates and/or precious metal prices through devaluation of FX-nominated financial instruments and/or precious metals in the trading portfolio; Trading portfolio currency risk is calculated based on interest rate and securities portfolio risks of FX-nominated instruments;

Securities portfolio risk, i.e. the exposure to adverse changes in market prices of securities in the trading portfolio or derivative financial instruments due to factors related to both specific issuers and general fluctuations in market prices of financial instruments.

The exposure to losses due to adverse changes in market prices of commodities, save for precious metals (including commodity derivatives)

Operating in the financial market, the Bank assumes risks of instruments in its trading portfolio (risks of adverse changes in the prices of equity instruments, changes in interest rates of fixed income debt instruments, as well as changes in currency exchange rates and the resulting negative revaluation of its trading portfolio).

The Bank manages market risks as required by the Bank of Russia’s regulations and also uses internal methods compliant with guidelines of the Basel Committee on Banking Supervision.

The Bank manages its market risk by setting limits on open positions in financial instruments, interest rates, maturities and currency, and also stop-loss limits. Limits and positions are monitored on a regular basis and are reviewed and approved by the Asset and Liability Committee / Management Board. In addition, the Bank uses stress tests to model the impact of different market scenarios.

The Bank applies conservative approaches to building its securities portfolio so as to avoid significant losses that could affect its financial stability. The Bank mostly deals in bonds of Russian issuers included in the Bank of Russia’s Lombard List and having short durations.

The Bank's exposure to market risks may be evaluated by calculating maximum possible loss per each security and Value-at-Risk / Stressed Value-at-Risk for the entire portfolio.

Measures taken in 2018 to minimise this type of risk

– The current fair value (CFV) estimation methodology for financial instruments was revised. Securities and Derivatives Fair Valuation Methodology was approved.

– Derivatives fair value measurement and accounting was automated;

– The Financial Instruments Market Risk Management Regulation was updated.

– Bylaws were updated to ensure management and control of risks related to futures options on the RTS (FORTS).

Activities planned for 2019 to minimise this risk

– Test market risk measurement algorithms using the IRC (Incremental Risk Capital) component. Improve the market risk management system (introduce the IRC and Expected Shortfall approaches);

– Design an IB risk assessment methodology and decompose the quantum of risk down to portfolio structure limits;

– Introduce a potential future exposure–based counterparty credit risk assessment methodology.

– Automate market risk measurement (for derivative transactions).

Operational risk (incl. legal risk and compliance risk)

The source of this type of risk is the exposure to adverse effects from the credit institution’s internal operating processes and procedures being inconsistent with the nature and scale of its activities and/or statutory requirements or being violated by its staff and/or other persons (by any unintentional or deliberate actions or omission), from its information, technological or other systems being functionally or otherwise inadequate and/or failing (malfunctioning), or from any external events.

Operational risks have the peculiarity of being inherent in all of the Bank's activities, rather than in individual products/processes.

To limit the operational risk, the Bank details in its bylaws a complex of the following measures intended to minimise the probability of operational risk events resulting in losses and/or to minimise (limit) such losses:

– Procedures for execution of transactions, distribution of responsibilities, related reporting and follow-up control designed to prevent (limit) operational risk, and control over those procedures;

– Requirements pertaining to banking automation and InfoSec systems, and prospects of their development;

– Insurance procedures, including property insurance (insurance of buildings, other assets, including money and securities, from loss (destruction), shortage or damage, in particular inflicted by third parties or staff, and business risk insurance covering losses resulting from banking risk events) and personal insurance (H&S insurance);

– Bylaw approval procedures requiring validation by subdivisions responsible for assessing operational risks.

The Bank’s operational risk management procedures set forth methods to identify and assess operational risks assumed in various areas of its activities.

Operational risk includes:

staff risk, i.e. the risk of losses caused by errors or malfeasance of the Bank’s staff, their insufficient qualification, work overload, unpractical working processes, etc.;

process risk, i.e. the risk of losses caused by errors in transaction execution, settlement, booking, reporting, pricing and other processes;

system risk, i.e. the risk of losses caused by deficiencies of the Bank’s technologies such as insufficient capacity of its systems, their inadequacy for operations being made, rough data processing methods, or low quality or inadequacy of data used, etc.;

external risks, i.e. the risks of losses caused by changes in the Bank’s operating environment, such as changes in laws, politics, economy, etc., and risks of physical interference from outside;

legal risk, i.e. the exposure to adverse effects of the Bank’s failure to perform its contractual obligations to customers/counterparties, their failure to perform essential terms of supply and other agreements signed by them with the Bank concerning provision of goods, works and services (except for credit-related agreements), unsatisfactory level of legal work in the Bank, imperfection and instability of the Russian legal system, variability of laws and regulations governing the Bank’s operations.

compliance (regulatory) risk, i.e. the exposure to adverse effects from non-compliance with requirements of international and Russian laws, the Bank’s commitments to its shareholders and third parties, its bylaws, standards of self-regulatory organisations (if mandatory for it) as well as due to sanctions and/or other enforcement actions imposed by supervisory bodies.

Measures taken in 2018 to minimise this type of risk

–Operational risk indicators were aligned with changes in the business scale, threshold calculation algorithms were updated, and scheduled methodological work was carried out to improve operational risk management tools, which helped promptly respond to, and adequately evaluate, operational risk events;

–Additional business continuity/disaster recovery (BC/DR) techniques were approved;

–In order to enhance the Bank’s internal operational risk management culture, internal training was updated and refined for all employees of all levels of subordination; in particular a new training course with appropriate tests was prepared;

–The subsidiaries’ operational risk management methodology was updated;

–A new tool was created to ensure ongoing and follow−up control of the retail lending process.

Activities planned for 2019 to minimise this risk

–Update consolidated information on key operational risk indicators, update bylaws setting out fundamental principles and tools of operational risk management;

–Carry out the annual operational risk self-check procedure using the Automated Operational Risk Management System and report the results to the Supervisory Board;

–Minimise risks and increase manageability by further developing the BC/DR system;

–Design and introduce new preventive operational risk control tools and draft new appropriate bylaws.

Concentration risk

The risk of significant losses that can pose a threat to the Bank's solvency and ability to continue its business due to its exposure to large counterparty risks, risks in specific sectors, regions, markets, currencies, etc.

Concentration risk management procedures include the following:

– Concentration risk identification and measurement procedure;

– List of concentration limits on the existing structure of the Bank's risk-bearing assets grouped into portfolios by various attributes, and aggregate indicators of its operations. The aim is to limit losses resulting from overconcentration on certain counterparties, groups of counterparties or groups of assets of the Bank;

– Developing ways to control compliance with such limits, in particular control the Bank's portfolios of instruments with the aim to identify risk concentrations that are new for it and are not captured by the concentration limit system, and ways to report limit violations to its management bodies, and corrective procedures.

Measures taken in 2018 to minimise this type of risk

– The quantification guidance was updated for the risk of concentration in exposures (to largest counterparties and sectors), in sources of funding and in collateral (identical types of collateral/largest pledgors). These approaches serve as the basis for calculating the concentration risk capital cover for ICAAP purposes;

– The list and levels of concentration risk appetite indicators (KRIs) were updated, accommodating new concentration risk types/subtypes.

Activities planned for 2019 to minimise this risk

– Validate and calibrate concentration risk quantification models, update the levels of concentration risk appetite indicators (KRIs) and adjust the risk quantification guidance if necessary;

– Design, approve and integrate in the decision-making process a loan portfolio structure limit to concentrate on the largest borrowers, if necessary;

– Automate concentration limits control using specialised software.

Liquidity risk

The source of this type of risk is the possibility of the Bank running short of cash to perform its obligations in full. Liquidity risk can arise as a result of a mismatch in the Bank's financial assets and financial liabilities (in particular caused by a failure of one or more of its counterparties to perform their financial obligations in due time) and/or an unforeseen abrupt acceleration of its financial liabilities.

The Bank exercises strict control on a daily basis over compliance with statutory liquidity ratios set by the CBR (instant (N2) and current (N3) liquidity ratios). The Bank also controls compliance with the long-term liquidity ratio (N4); and, starting from 2018, as CREDIT BANK OF MOSCOW was included in the list of systemically important credit institutions on 13.09.2017, the short-term liquidity ratio (N27) (the "STL"; calculated in line with the Regulation on Calculation of Short-Term Liquidity Ratio (Basel III) No. 421-P dated 30.05.2014) has been calculated and monitored on a daily basis. The ratio is being calculated to assess the Bank's capability to timely and fully perform its monetary or other obligations and continue its business in an unstable environment affected by external and/or internal factors within 30 calendar days after the STL calculation date.

The Bank distinguishes the following liquidity risk types:

risk of mismatch between incoming and outgoing cash flows;

risk of unforeseen liquidity requirements, i. e. the risk of consequences of unexpected events in future that may require more resources than projected;

market liquidity risk, i. e. the risk of selling assets at a loss or inability to close an existing position due to insufficient market liquidity or insufficient amount of trades. The effects of this form of risk may be factored into the market risk evaluation;

funding risk, i. e. the risk associated with potential changes in cost of funding (individual and market credit spread) affecting the Bank's future income.

The Bank's liquidity risk management procedures include the following:

– Specific risk factors;

– Procedures to determine the Bank's funding needs, including identification of liquidity surplus/shortage and limits of liquidity surplus/shortage (liquidity limits);

– Procedures for liquidity forecasting and time analysis of liquidity (short−term, current and long−term liquidity);

– Procedures for setting liquidity limits and developing ways to control compliance with such limits, to report limit violations to the Bank's management bodies and suggest corrective actions;

– Procedures for daily liquidity management and longer−term liquidity management;

– Methods for analysing liquidity of assets and stability of liabilities;

– Liquidity recovery procedures, including procedures for making decisions on mobilisation (sale) of liquid assets and other possible (and most easily accessible) ways of additional funding in case of liquidity shortage.

Final decisions as to liquidity risk are taken by a collective body, the ALCO/Management Board, thus ensuring comprehensive and effective control over that risk.

The current and forecast liquidity risks are managed separately at the Bank.

Current liquidity management is the main task of the Bank's operative management of assets and liabilities, involving short−term forecasting and management of cash flows in terms of currencies and maturities to ensure performance of the Bank's obligations, execution of customer payments and funding of assets−related transactions. Current liquidity is managed through prompt (intraday) estimation of the Bank's current payment position and forecasting changes therein based on the payment schedule and different scenarios.

The main purpose of forecast (medium- and long−term) liquidity management is to develop and implement a system of ALM measures to maintain the Bank's solvency and ensure the planned growth of the assets portfolio at an optimum balance between liquidity and profitability. This is done at the Bank by making long−term liquidity forecasts and setting internal liquidity requirements (required liquid and highly liquid cushion, required amount of the liquid securities portfolio). Long−term liquidity forecasts go to the Bank's ALCO/Management Board.

In addition, stress tests are run based on risk factors relevant to liquidity forecasts and the Bank's capability to mobilise liquid assets in the event of a liquidity shortfall.

This prevents material liquidity gaps, ensures uninterrupted performance of obligations, saves costs of urgent fund raising in the case of emergency situations and makes assets−related transactions more profitable thanks to the right choice of instruments.

Measures taken in 2018 to minimise this type of risk

– Approaches to modelling the Bank's dynamic balance sheet and forecasting liquidity indicators were improved; in particular, behavioural models were designed and put in practice to estimate probable outflows of corporate and retail deposits, and liquidity gaps and mandatory liquidity ratios started to be calculated with due regard to planned operations;

– Instant liquidity and payment position management procedures were improved by automating the Treasury Department's interactions with other subdivisions;

– The scope of regular managerial reports provided to the Assets & Liabilities Committee was updated as regards the status and forecast of liquidity and mandatory ratios.

Activities planned for 2019 to minimise this risk

– Design the Bank's Funding Strategy;

– Improve the liquidity risk limit system;

– Introduce a system of compensations for liquidity risk related to embedded optionalities in the Bank's products;

– Automate further processes of modelling the Bank's dynamic balance sheet and forecasting liquidity indicators and mandatory ratios.

Bank portfolio interest rate risk

The risk of deterioration of the Bank's financial condition through a decrease of its capital, income or assets value resulting from a change in market interest rates affecting its assets and liabilities other than its trading portfolio. Balance sheet interest rate risk stems from mismatches between maturities of, or between changes in interest rates on, assets and liabilities.

Balance sheet interest rate risk management procedures include the following:

– Gap analysis using interest rate stress tests;

– Identification of major sources of balance sheet interest rate risk inherent to operations (transactions) sensitive to interest rate changes;

– Modelling of maturities and cost of assets (liabilities), in particular setting target product maturities at the business subdivisions' level in the course of the business planning process;

– Balance sheet interest rate risk limits and ways to control compliance with them, a system to report limit violations to the Bank's management bodies, and a correction process.

Final decisions as to balance sheet interest rate risk are taken by a collective body, the ALCO/Management Board, thus ensuring comprehensive and effective control over that risk.

The Bank sets and regularly controls relevant limits linked to loan utilisation effectiveness, profitability and maximum interest rate gaps on various time horizons. To limit the impact of balance sheet interest rate risk on the Bank's financial results, the Bank analyses maturities of loans issued and funding raised to reveal any mismatches between its assets and liabilities exposed to interest rate changes. This analysis helps decide what structure of assets and liabilities is optimal and ensures maximum resilience to financial losses caused by balance sheet interest rate risk. On an ongoing basis, the Bank optimises interest rates on the assets side and liabilities side in line with the current market situation and tariff policies of its main competitors.

Measures taken in 2018 to minimise this type of risk

–The Transfer Pricing Manual, one of the main mechanisms of managing balance sheet interest rate risk, was prepared and put into practice;

–Methodology was devised to calculate compensations for the interest rate risk related to embedded optionalities in assets and liabilities side products; it was put in place for corporate deposit pricing;

–New standard form loan agreements were drafted to accommodate compensations for the interest rate risk related to embedded optionalities in credit products;

–The scope of regular managerial reports provided to the Assets & Liabilities Committee was updated as regards the dynamics of the Bank's assets and liabilities structure and interest margin.

Activities planned for 2019 to minimise this risk

–Update the balance sheet interest rate risk assessment methodology in line with the relevant Basel standard to be adopted by the Bank of Russia;

–Introduce a system of compensations for the interest rate risk related to embedded optionalities in credit products;

–Design behavioural models for retail credit products to assess balance sheet interest rate risk and apply risk−based pricing;

–Improve the system of balance sheet interest rate risk limits;

–Improve regular managerial reports provided to the Assets & Liabilities Committee as regards balance sheet interest rate risk.

Balance sheet currency risk.

The exposure to potential losses due to changes in exchange rates/prices of foreign currencies/precious metals in which the Bank has open currency positions (OCP) at the bank book level.

Balance sheet currency risk represents potentially adverse effects from changes in FX rates and/or precious metal prices at the bank book level by measuring the aggregate long or short open currency position against the Bank's capital.

Balance sheet currency risk management requires limits to be set on the Bank's OCP.

Balance sheet currency risk management procedures include the following:

–The Bank's compliance with Bank of Russia Instruction No. 178-I "On Setting Open Currency Position Limits, the Methodology for Calculating them, and Modalities of Supervision of Credit Institutions' Compliance therewith" dated 28.12.2016 is monitored on a daily basis: its designated subdivisions ensure that the open foreign currency position in any single foreign currency or precious metal does not exceed 10% of its equity (capital). The Bank goes beyond the Bank of Russia's regulatory restrictions by setting more conservative management limits on the size of its open foreign currency position in each currency;

–The Bank monitors and forecasts on a daily basis its open foreign currency position in each currency and as a whole;

–The key currency risk factors, such as governmental, macroeconomic and financial ones are monitored on a daily basis.

Measures taken in 2018 to minimise this type of risk

–For better management of balance sheet currency risk, the Bank's OCP was split into the trading OCP (OCP of the trading portfolio of financial instruments) and structural OCP;

–A workflow manual was approved, setting out how subdivisions should provide information to the Treasury Department for prompt calculation and regulation of the Bank's OCP.

Activities planned for 2019 to minimise this risk

–Update the balance sheet currency risk management strategy;

–Improve the balance sheet currency risk limits system.

Reputational risk

The source of this type of risk is the Bank's exposure to losses as a result of an outflow of the Bank's customers (counterparties) due to a negative public perception of the Bank's financial stability, quality of its services or the nature of its activity as a whole. The probability and amount of losses that can be caused by this risk depends on the level of this risk in the Russian banking sector as a whole.

Reputational risk management procedures include the following:

–Procedures/tools/mechanisms for dealing effectively with all categories of stakeholders.

–Ethical conduct in provision of services.

–Ongoing monitoring of internal and external threats to the Bank's reputation.

–Understanding shareholders' and investors' expectations as to disclosure.

–Maintaining an advanced corporate governance system and developing it in line with the Bank's strategic goals and interests of all stakeholders.

–Ensuring a high level of corporate culture.

–Adherence to the code of professional ethics and culture.

–Transparent and advanced staff remuneration, incentive, training and qualification upgrade system.

The Bank meets all of its obligations on time and in full. The Bank's credit history includes large loans from leading credit institutions of the world, syndicated loans and bond issues. The Bank is also well-reputed in the national and international financial communities.

The Bank makes considerable efforts to promote its image in the eyes of its customers and the public by increasing its information transparency. Reputational risk management is an integral part of the risk management system and is practiced with the direct involvement of the Bank's management.

Measures taken in 2018 to minimise this type of risk

– A large-scale BC/DR system appraisal and development project was implemented. As a result, BC/DR procedures were updated so as to ensure delivery of products and services and performance of obligations at a higher level;

– Corporate governance and internal control policies were updated in line with the Bank's strategic goals, interests of its shareholders, investors and all stakeholders. The most important ones were published both on the Bank's website and in specialised disclosure resources.

Activities planned for 2019 to minimise this risk

– Implement the BC/DR system development roadmap, designed as a result of the BC/DR system appraisal project and based on the most advanced business continuity methods and principles, with a view to keep the Bank's BC/DR system compliant with the Bank of Russia's requirements and international standards and to create a sizeable safety margin for its business processes and systems;

– Develop a reputational risk management system, in particular by integrating further reputational risk assessment and management processes at various levels of the internal control and risk management system, ensuring greater transparency and openness of the Bank for all stakeholders.

Strategic risk

This risk means the exposure to adverse consequences of mistakes (flaws) in strategic decisions such as oversight or underestimation of potential threats, wrong or inadequate choice of prospective business areas where it can gain an edge over its competitors, lack/insufficiency of resources (financial, material, technical, human) and organisational measures (managerial decisions) required to attain its strategic goals.

The main goal of the strategic risk management is to establish an interdisciplinary system allowing for appropriate managing decisions in respect of the Bank's activities, aimed at reducing the impact of strategic risks on the Bank in general.

Strategic risk management procedures include the following:

– Periodic revaluation of the Bank's development strategy;

– Planning the development of new lines of business, new products, technologies and services, expansion of existing technologies and services and strengthening of the Bank's infrastructure;

– Analysing competition so as to identify strategic risks such as the threat of new competitors entering the market, the threat of product substitution or the threat of continuous evolution of strategic risk factors during the lifetime of services provided.

The capital charge estimation stage was embedded into the product/service development procedure.

Key strategic risk indicators are limited in accordance with the Bank's procedures. Limit control results, breaches and correction proposals are regularly reported to the Bank's management bodies to ensure prompt control over achievement of the Bank's strategic goals.

4. Automated and software risk management solutions

SAS THE POWER TO KNOW.	Decision-making unit in retail lending process (scoring, limit setting, customer categorisation) Development of credit risk quantification models (internal rating and scoring models) Automation of collection stage in retail lending process Operational risk management system
ORACLE SIEBEL IT'S ALL ABOUT THE CUSTOMER	Routing of retail loan applications Standardised retail and corporate customer profiles transferred to all of the Bank's systems, including risk management systems Tracking corporate customers' group structures, in particular identifying affiliation criteria, including links to retail customers Feeding credit histories from credit bureaux into new applications entered in CRM
In-house development of МОСКОВСКИЙ КРЕДИТНЫЙ БАНК	Routing of corporate loan/credit limit applications ("Loan pipeline") Monitoring of corporate customers and transactions Calculation of internal corporate credit ratings Gathering and storing data on overall counterparty exposures, including financial market and retail lending operations. Automation of the Bank's common limit catalogue Control of limits, including structural limits and related authorities, control of regulatory ratios

OVERVIEW OF OPERATIONS

1. *Corporate business*

The contribution of corporate business to key performance indicators of the Bank:

Share in loan portfolio	87%
Share in deposits	71%
Share in interest income	40%
Share in fee income	27%
Share in provisions for expected credit loss	82%

Key business results:

– CREDIT BANK OF MOSCOW is a leader in corporate banking, ranked No. 5 and No. 6 by corporate loans and corporate deposits respectively as of end-2018;

– The gross corporate loan portfolio decreased by 12% to RUB 644 bln in 2018, due to the effective disposal of some problem assets and prepayment of several large loans;

– Guarantees and letters of credit still remain a significant source of fee income of the Bank, contributing RUB 2.2 bln or 14% of the total fee and commission income as of 31 December 2018;

– The Bank targets large and mid-caps, leading in their niches, and SMEs;

– The Bank is actively developing investment banking services, which creates a synergetic effect with the corporate business and contributes to business growth;

– The Bank is actively implementing its SME banking strategy, which included the following strategic initiatives in 2018:

- The SME banking concept was approved:
  - focus on the public contracts segment;
  - set up and develop sales through partners;
- the volume and fee income targets in respect of express guarantees for small businesses were achieved: more than 4,000 guarantees totalling more than RUB 8 bln were issued.

– The Bank was ranked 11th among the members of AFC (Association of Factoring Companies) in terms of the factoring portfolio at the end of 2018;

– The Bank is constantly developing remote access services and IT solutions. It has introduced new services, such as the payment functionality in the MKB Business mobile application, the first host-to-host channel – 1S DirectBank, and works on the Certificate Authority project to migrate Your Bank Online users to new crypto-protection means.

CBM is a top-7 bank in Russia, largely due to the quality of customer service in the corporate business sector. The Bank offers its customers an effective system of comprehensive banking services, including remote banking, meeting all basic needs of companies and sole proprietors.

Corporate banking is the Bank's main business area, accounting for 87% of its loan portfolio at the end of 2018. The Bank has focused on controlling credit risks without undermining the corporate portfolio's profitability by concentrating on the most stable sectoral segments and by tightening requirements to corporate customer quality and deal structures.

Key products include corporate lending, international finance and foreign trade support, trade finance and documentary operations, cash management and cash pooling, e-commerce tools, factoring and deposits.

Corporate business development **milestones** of 2018 include:

- successful launch of banking support of contracts with developers under Federal Law 214-FZ;
- start of work with participants of public procurement through electronic trading platforms under Federal Law 44-FZ;
- expansion of the liquidity management product range;
- development of products and technologies designed to optimise customer relationship procedures and attract new customers;
- implementation and optimisation of industry-product matrix approach to servicing large and medium-sized corporate customers.

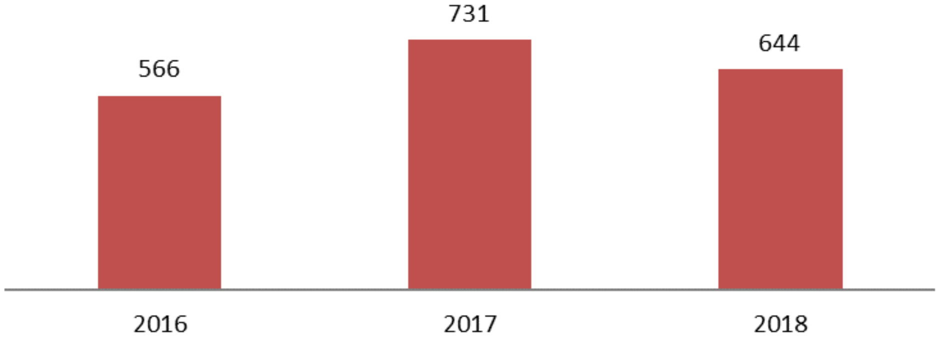
Corporate lending

Corporate lending, which accounts for the largest portion of the Bank's loan portfolio, is of significant importance in CBM's business structure. The Bank offers its customers a wide range of services such as secured/unsecured loans, overdrafts, current account facilities, loans backed by collectable sale proceeds, loans for financing investment/operational activities and so on. The Bank targets large companies who are leaders in their sectors, whose credit quality is confirmed by leading rating agencies, and whose operating and financial indicators are strong enough to forecast no difficulties in servicing and repaying debt obligations.

Having been developing its corporate business for many years, the Bank has succeeded in building close relationships with its customer base consisting of more than 15,000 active customers as at end-2018. The Bank is adapting to new economic conditions without compromising its traditionally low level of non-performing loans (NPL 90+). The total gross corporate portfolio decreased by 12% to RUB 644 bln in 2018, mainly due to disposal of some problem loans and prepayment of several large loans.

Gross corporate loan portfolio

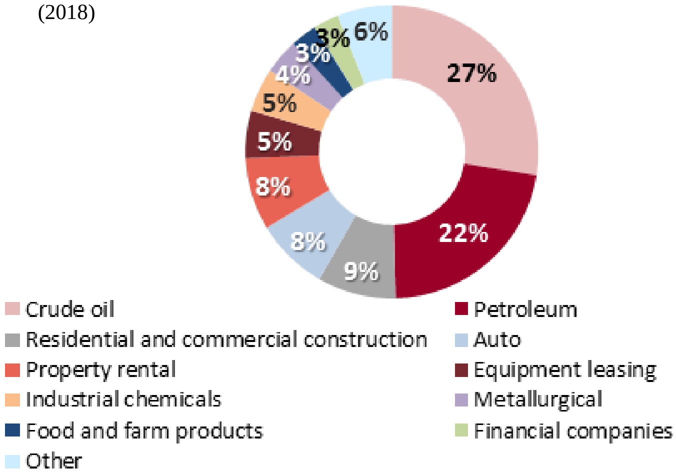
(RUB bln)



The sectoral structure of the corporate portfolio is fully in line with the Bank's strategy, according to which CBM pays special attention to high-quality large corporate customers. Focusing on large borrowers from less risky industries, CBM is able to maintain a high portfolio quality. As at end-2018, oil production and refining, accounting for 27% and 22%, respectively, dominate the corporate loan portfolio. Historically, the companies in this sector are the most stable, develop actively and are supported by the government. Large borrowers also included companies in the construction, automobile and property rental sectors, accounting for 9%, 8% and 8%, respectively. The Bank also lends to such key sectors as food products, metallurgy, pharmaceuticals, services, finance etc.

Corporate loans breakdown by industry

(2018)



The Bank participates in the implementation of the Government's SME Support Programme and cooperates with Moscow's Fund of Small Business Credit Assistance by providing a variety of banking products, including guarantees and surety bonds. The Bank's SME development strategy assumes that this business area is attractive in terms of profitability and has potential for further growth. Such growth potential is seen in fee and commission income, which, unlike interest income, is low-risk and can be increased without additional funding and, therefore, without affecting the net interest margin.

The Bank earned RUB 56.6 bln on corporate business or 35.3% of its total income in 2018. As the Bank changed its interest rate policy, faced high competition and pursued a policy of credit risk minimisation by increasing the share of risk-free and low-margin interbank transactions, as well as its securities portfolio, the total income of corporate business decreased by 11% compared to 2017. At the same time, the net financial result of corporate business dropped by 23% to RUB 17.1 bln compared to 2017 (RUB 22.1 bln).

The Bank's top management team in the corporate segment was further strengthened in 2018. A number of activities are planned for the current year to develop the product management system, streamline business processes, improve the sales model and incentivise the staff.

In three years, the Bank expects to:

- increase fee and commission income by offering new transaction products;
- augment income from existing customers through cross-selling;
- implement a differentiated service model.

To this end, the Bank plans to fulfil the following tasks:

- introduce a new service model for high-yielding and other customers;
- create a range of package products differentiated by customer types;
- develop non-banking services that help SME customers tackle their business tasks;
- promote the Bank's brand as a friendly, innovative bank for SMEs.

Using its vast experience in corporate lending, the Bank plans to pursue further its balanced approach to analysis of corporate lending risks, further diversify its corporate loan portfolio and focus on lending in the segments that are most resilient to changes in the macroeconomic situation.

Trade finance and documentary operations

Bank guarantees are a stable source of fee and commission income for the Bank. As at 31 December 2018, guarantees and letters of credit yielded RUB 2.2 bln or 14% of the Bank’s fee and commission income. The Bank offers the following types of guarantees:

- bid guarantees;
- customs guarantees;
- performance bonds;
- down-payment guarantees;
- excise guarantees;
- guarantees in favour of tax authorities
- guarantees in favour of the Federal Service for Alcohol Market Regulation;
- counter-guarantees;
- others.

Guarantees and letters of credit are an attractive product for the Bank because, unlike credit products, their prices are not based on the Bank’s cost of funds, which enables the Bank to compete effectively with the state-owned banks in this area.

Trade finance is traditionally one of the Bank’s priority development areas. As in previous years, its main tasks in this area, apart from maintaining the portfolio quality and controlling risks, were finding more partners and expanding the product line to meet the needs of existing customers and to acquire new ones.

The main competitive advantages of the Bank are a broad global network of partners, high credit ratings, experience and professionalism of the staff, a customer-oriented approach, and the high quality of services. They allow the Bank to service global trade flows and offer customers the most attractive terms using the entire range of trade and export finance tools. As a result, the Bank is traditionally among the leaders of the trade finance market with a reputation of a professional and trustworthy financial institution. Assisting corporate customers in penetrating foreign markets, the Bank found new trade finance partners in 2018, in particular in Egypt and Uzbekistan, where it successfully made transactions using such instruments as uncovered confirmed letters of credit and guarantees.

Developing export support capabilities, in 2018, the Bank became an authorised bank under the Government’s export loan interest rate subsidy programme, which enabled it to expand support for domestic non-commodity exporters, in particular, agricultural companies, by granting loans at a much more attractive rate. The Bank is to continue developing this business line in 2019, with the pipeline of projects to finance already exceeding RUB 51 bln.

The Bank achieved the following results in 2018:

– It joined FCI (Factors Chain International) in June 2018, which allowed it to add import factoring and non-recourse export factoring to its range of financial solutions offered;

– It signed the first insurance contract with EXIAR (Russian Agency for Export Credit and Investment Insurance), and a refinancing agreement with the Bank of Russia in respect of export loans so insured;

– The first financing subsidised by the REC (Russian Export Centre) was provided;

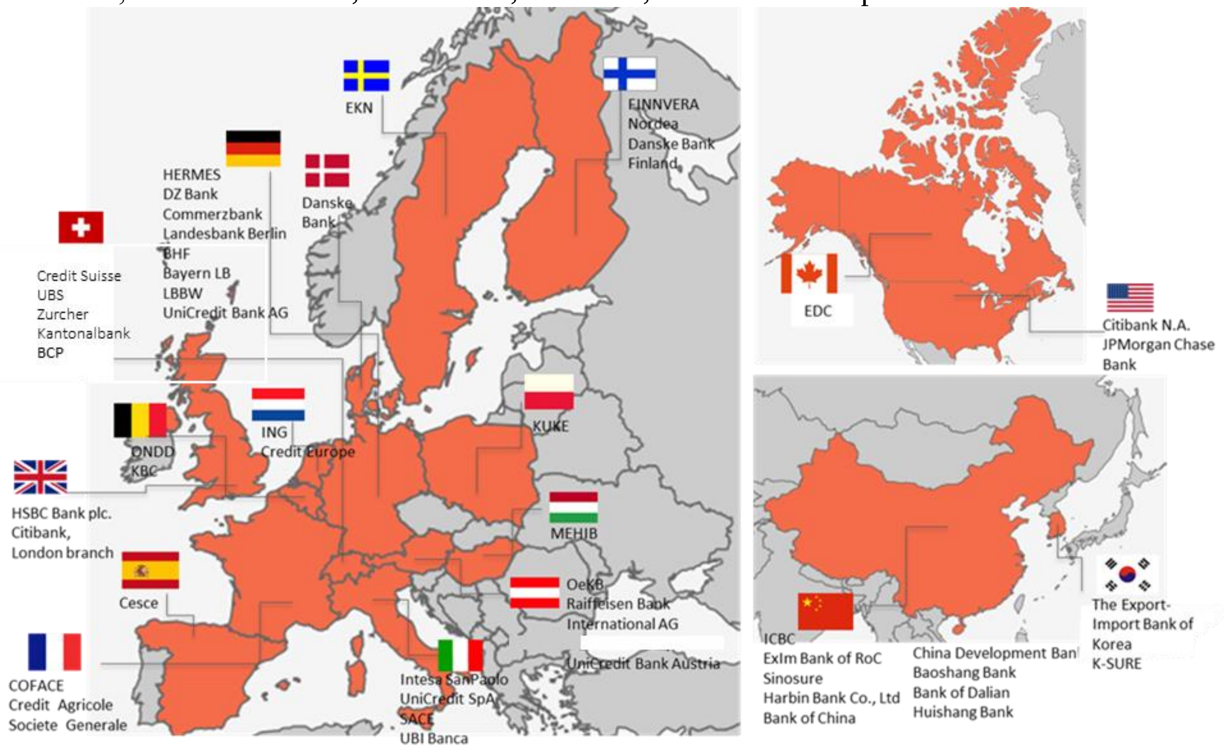
– The product line was expanded in all areas.

Development areas for 2019:

- Participation in subsidy programmes of the Ministry of Economic Development, the Ministry of Industry and Trade and refinancing with the Bank of Russia;
- Wider involvement in foreign trade, in particular using the EXIAR product line;
- International factoring as a new product in the market;

- Expansion of the customer base in Southeast Asia;
- Regional promotion of international finance instruments with appropriate incentives for the staff;
- Participation in syndicated loans, highly structured transactions;
- Process automation.

The Bank actively cooperates with banks and other institutions in different parts of the world to service the international trade flows of its customers. The key partners of the Bank in short-term and long-term finance include world-renowned financial market leaders such as Bayerische Landesbank, Citibank, Commerzbank AG, Crédit Agricole, Credit Suisse AG, HSBC, Industrial and Commercial Bank of China, ING Bank N.V, Intesa Sanpaolo S.p.A., JPMorgan Chase, KBC Bank N.V., Landesbank Baden-Württemberg, Raiffeisen Bank International AG, Société Générale, UBI Banca, UBS AG, UniCredit Group and others.



The Bank is accredited by most export credit agencies, ready to provide insurance coverage for its long-term finance transactions, such as Hermes (Germany), SACE (Italy), COFACE (France), EKN (Sweden), OeKB (Austria), EDC (Canada), KUKE (Poland) and FINNVERA (Finland).

Acquiring

CBM offers merchant and online acquiring services, enabling bank card payments for goods and services. The Bank's acquiring business is present in most regions of Russia.

In 2018, the focus was on e-commerce.

The advantages of the Bank's online acquiring include:

– continuous improvement of technologies, prompt setup of service and integration with the Bank's payment page;

– effective fraud prevention systems: Fraud Monitoring, 3D-Secure.

The Bank's acquiring business showed an increase in the weighted average rate in 2018 (1.62% in 2017 compared to 1.69% in 2018, an increase of 0.07 pp) due to stronger sales in the SME segment and diversification of the current portfolio.

The upgrade of the equipment stock for acceptance of contactless cards of the national payment system MIR was completed in 2018.

One of the main trends is the continuing impressive growth of the MIR cards turnover: it reached RUB 10.3 bln compared to RUB 1.9 bln in 2017, representing 8.70% of the total acquiring turnover.

Online acquiring also showed a positive trend: turnover stood at RUB 5.7 bln compared to RUB 4.4 bln in 2017 (+29%).

In 2019, the Bank is to continue pursuing the strategy of portfolio diversification and acquisition of prime customers.

Payments

The Bank has a broad correspondent account network in all major currencies with leading financial institutions worldwide. The Bank's correspondent network includes approximately 80 accounts held with domestic and foreign credit institutions, enabling the Bank to make different types of payments almost anywhere in the world in a timely and cost-effective manner.

Leasing

Leasing operations were carried out through CBM Leasing Group, operating since 2005 and providing a wide range of leasing services. CBM Leasing Group cooperates with small, medium and large businesses, as well as sole proprietors based in Moscow, the Central Federal District and other regions of the Russian Federation. RAEX ranked CBM Leasing 26th by new business volume and 17th by leasing portfolio as at 1 January 2018.

CBM successfully sold 99.9% of shares in CBM Leasing Group in July 2018.

Factoring

Since 2005 the Bank has provided factoring services, mainly recourse factoring, accounting for 82.5% of the total turnover.

Last year, the Bank added a new option for debtors to its factoring product line, allowing them to manage settlements with their suppliers more flexibly. This option has only recently appeared in the market and is in high demand. The Bank's portfolio of such transactions reached RUB 2 bln at year-end.

The Bank migrated its factoring operations to a full-cycle electronic document flow in 2018, allowing customers to exchange documents with the Bank electronically. This also enabled CBM to bring this product to regions where its network is not present.

In 2018, the Bank connected to a blockchain platform to enable disbursements on the day of presentation of drawdown documents and receipt of encrypted shipment confirmation. Thus, the Bank became one of five banks using the most advanced blockchain technology in factoring.

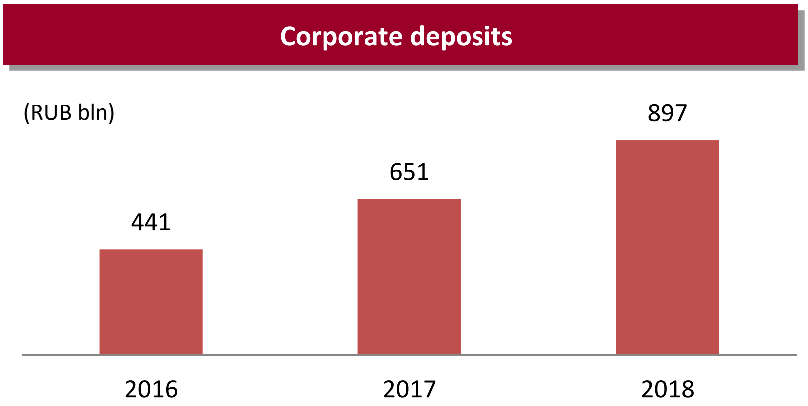
At the end of 2018, the factoring portfolio amounted to RUB 10.2 bln. It is diversified by sectors and regions with customers being present in most federal districts of Russia. The Bank was ranked 11th by factoring portfolio among members of the Association of Factoring Companies.

Corporate deposits

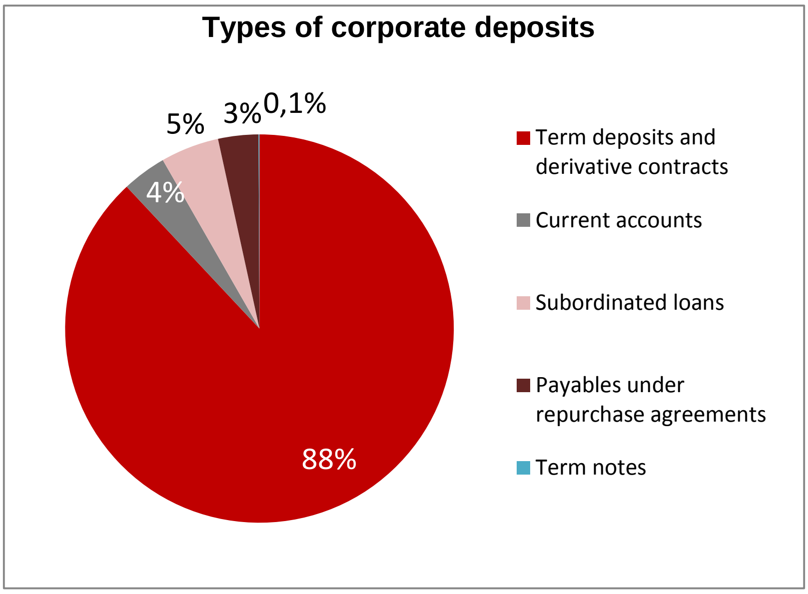
Corporate deposits are essential for building a stable funding base for the Bank, hence the provision of special deposit conditions and flexible terms to its customers is an important task of CREDIT BANK OF MOSCOW's product policy. The Bank offers current accounts and term deposits for corporate customers and seeks continuously to improve its existing products and develop new ones to meet its customers' needs. The Bank's deposit range ensures a comfortable choice for customers in terms of currencies, maturities, interest payment frequencies and liquidity management options. The Bank offers competitive interest rates on corporate deposits.

The Bank's customers can also earn fixed interest income on the threshold balances of their current accounts.

In 2018, the Bank increased the share of corporate deposits in its liabilities to 46%, mainly due to the inflow of new corporate customers – large companies and new deposits from existing customers. The strong inflow of corporate deposits to CBM is driven by its reliable market reputation, professional, customer-oriented product development, robust performance, and minimal risks attested by high international ratings. By the end of the year, the volume of corporate customers' deposits increased by 38% and reached RUB 897 bln.



As at 31 December 2018, term deposits and liabilities under derivative contracts accounted for 88% of corporate deposits (or RUB 789.7 bln). Current accounts, which represent 4% of corporate deposits or RUB 33 bln, are also an important source of corporate deposits.



New products and introduced technologies

Recognising new needs of its customers and seeking to meet market requirements in the best way, the Bank continuously improves service quality and introduces new products and services. New products, services and technologies for corporate customers introduced during 2018 include:

- Import factoring and non-recourse export factoring;

- The first insurance contract was signed with EXIAR (Russian Agency for Export Credit and Investment Insurance) and the entire product line of EXIAR was introduced. A refinancing agreement was signed with the Bank of Russia in respect of export loans so insured;
- The Bank became one of the largest participants of the REC (Russian Export Centre) subsidy programme;
- The Bank issued its first uncovered domestic letters of credit, nominated and payable in different currencies;
- In the SME segment, the Bank made all preparations for working in the guarantee market for public procurement participants under Federal Laws 44-FZ and 223-FZ and for issuing express guarantees; it continued to develop various sale approaches: in addition to its own network, it uses agent channels and has enabled partnership programmes; it also introduced special settlement products in the form of single-rate service packages;
- The Bank has partnered with MSP Bank as a customer referral agent;
- The Bank migrated its factoring operations to an electronic document flow, which allows the Bank to expand its regional influence without additional costs associated with opening new branches;
- The Bank connected to a delivery verification blockchain platform, which reduced its operational risks and accelerated disbursements to its factoring customers;
- The Bank has updated its cash management products in line with market needs and trends: it introduced special accounts for bidding under Federal Law 44-FZ, and banking support of contracts under Federal Law 214-FZ;
- New cash management tools were introduced for large holdings: notional cash pooling (NCP) – a new tool for managing account balances in terms of pricing, and remote short-term deposit placement tools.
- Pursuing its banking service digitisation strategy, the Bank develops further its self-service cash collection product allowing companies to deposit their revenues to accounts held with the Bank through specialised terminals.

2. ***Retail business***

The contribution of retail business to key performance indicators of the Bank:

Share in loan portfolio	13%
Share in deposits	29%
Share in interest income	10%
Share in fee income	39%
Share in provisions for expected credit loss	18%

Key business results:

- The number of retail customers increased by 19% and reached circa 1.5 mln people.
- The Bank increased retail deposits by 29% to RUB 375 bln, coming 10th in Banki.ru's ranking of banks by retail deposits.
- The fee and commission income from retail products amounted to RUB 6.3 bln (40% of total fee and commission income).
- CBM expanded its geographical presence to 19 regions as a result of the settlement of Bank Sovetsky's liabilities. The total number of the Bank's offices reached 132 as at 31 December 2018.

The Bank offers a wide product range:

- General-purpose consumer loans;
- Mortgage loans;
- Plastic cards;
- Deposits;
- Letters of credit;
- Individual bank safes;
- Insurance products, individual investment accounts.

The existing comprehensive product range serves well as a customer acquisition and retention tool and thus allows the Bank to compete in all segments of retail business.

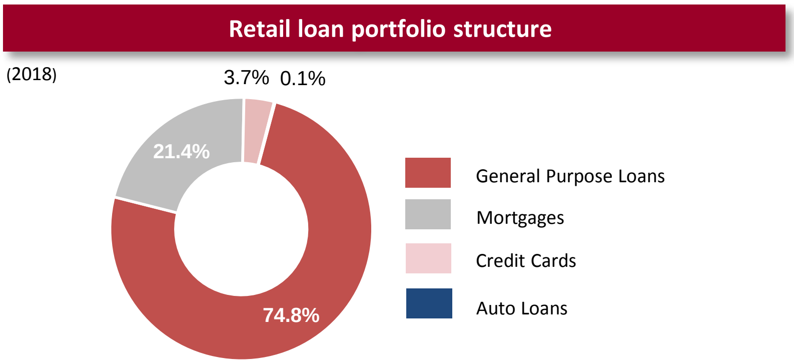
Lending

In 2018, the Bank changed its retail business development strategy, which had a bearing on the growth of the retail loan portfolio which expanded by 10% to RUB 96.6 bln.

In order to mitigate its risks, the Bank works with a reliable customer base: its target segments are its existing customers, payroll customers, employees of its corporate customers, employees of the public sector and customers with a stable, positive credit history.

For efficient risk management, the Bank uses the Risk-Based Pricing methodology, which allows segmenting customers by various criteria in order to make the most effective price offer.

The Bank offers its customers innovative technologies for remote submission of loan applications, thus reducing operating costs.



General-purpose loans

General-purpose consumer loans are unsecured cash loans provided to retail customers for unspecified purposes. General-purpose consumer loans are and, pursuant to the current strategy, are expected to remain, the main driver for the Bank's retail business in the future. The Bank offers them to finance various purchases and other activities, with maturities ranging from 6 months to 15 years.

The Bank also offers insurance contracts processing services in respect of its consumer loans, partnering with insurance market leaders.

In 2018, the share of general-purpose consumer loans in the retail portfolio increased from 72.1% to 74.8% and amounted to RUB 72.2 bln.

Mortgage lending

Mortgage lending is a priority area of the retail business. The Bank offers residential and commercial mortgages. Mortgage loans may be used to buy apartments both in primary and secondary housing markets.

As at end-2018, the Bank's gross mortgage portfolio amounted to RUB 20.7 bln, or 21.4% of the total retail portfolio.

Loans are mainly issued for purchases in the primary housing market.

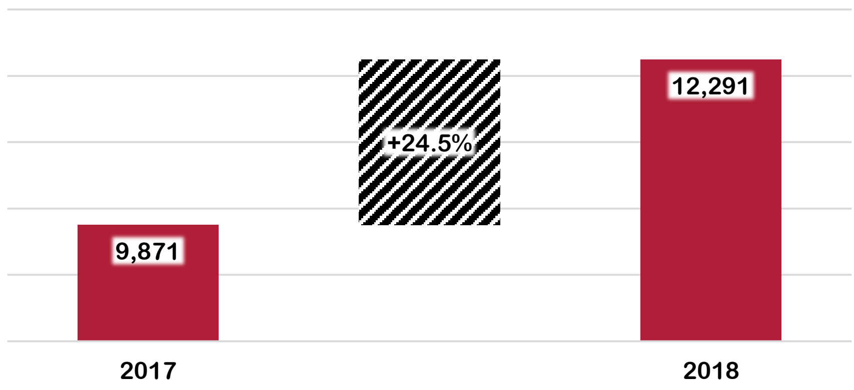
Bank cards

In 2018, the Bank began to revise its card business approach: the focus was shifted from increasing the number of cardholders through issuing cards as complements for other retail products to stimulating existing cardholders' activity. The Bank started to develop an updated range of card products based on the customer base segmentation approach. The Bank's portfolio of active[7] cards expanded from 243,000 cards in January to 253,000 cards in December 2018 (the share of active cards was 32%)

Portfolio segment-oriented promotions for the Bank's customers, and motivational contests held for branch employees jointly with international payment systems, aimed primarily at making the customer base more active, helped increase the average monthly card balances[8] and the total merchant turnover by 24.5% and 14.5%, respectively.

[7] used at least once by the client in the last month to make a financial operation (which changes the payment limit).
[8] less balances of virtual cards (a service product accompanying loans and deposits) and loan disbursements.

Average annual deposit balance, RUB'000 000



Merchant turnover, RUB'000 000

The Bank updated its loyalty programme in 2018, making it simpler and clearer for customers. As a result, the number of active cards and customers' transaction activity rose, while the Bank moved towards the reinvention of its card image. CBM launched a cashback platform in partnership with Sweetcard LLC, providing customers with personalised cashback offers, reaching 25% of purchases in major retail and service outlets.

In 2018, the Bank focused on increasing the flow of welfare payments to its cards. A pension programme, unique in the market, was set up. The Bank made pension delivery agreements with the Pension Funds of Moscow and Moscow Region, Saint Petersburg and Leningrad Region. Negotiations were commenced with Pension Funds in CBM's regions of operation: Voronezh, Yaroslavl, Lipetsk, Kaliningrad, Kursk, Tver, Vladimir, Arkhangelsk, Vologda, Orel, Kostroma, Pskov and Murmansk regions, as well as Karelia Republic and Komi Republic.

In 2018, CBM became, in cooperation with Aliot and MasterCard, the first in Russia to certify and start issuing payment rings, with a supporting advertising campaign. A payment ring can be linked to any customer account as an additional card.

A new co-branded card *CBM – BP Club* was launched in 2018. It combines the advantages of a banking product and a loyalty card of British Petroleum, and is sold by agents directly at filling stations.

Retail deposits

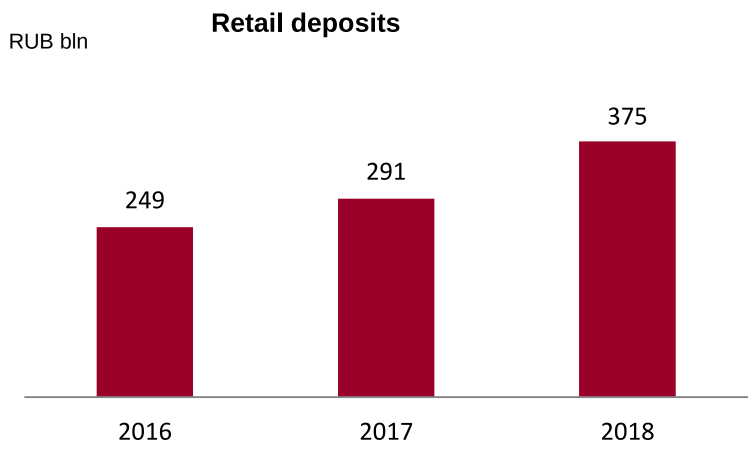
Retail deposits remain one of the key funding sources for the Bank. In 2018, it undertook a large-scale marketing campaign to attract private deposits. At the beginning of the year, the seasonal deposits *Loyal+* and *Formula for Happiness* were launched.

In parallel with the summer advertising campaign related to the FIFA World Cup 2018 in Russia, the *Champion* deposit was proposed.

A new term (24 months) was offered for the *All Inclusive* deposit, and the *Exclusive* deposit was offered to VIP customers.

In October, a special product for pensioners, the *Grand* deposit, was introduced on a permanent basis.

The *Dreams* deposit was offered in November as a Christmas promotional offer.



The retail deposit portfolio reached RUB 375 bln in 2018 (+29% compared to 2017), showing a RUB 79 bln increase, of which about RUB 36 bln is attributable to the acquired liabilities of Bank Sovetsky.

The customer retention rate reached 72% in 2018. Remote service channels: online banking and mobile banking, play an important role in depositor retention.

Letters of credit

Special attention was paid in 2018 to encouraging individuals to use letters of credit in real property transactions as a risk mitigation tool.

The fees for opening letters of credit were waived in June 2018, steps were taken to boost sales, and, as a result, the balances soared by 5 times compared to the previous year to RUB 1.6 bln.

New products and introduced technologies

Remote banking services are one of the highest development priorities in retail business. In 2018, the number of active remote banking users increased by 25% to 208 thousand people.

The share of unique mobile banking users increased by 22%. The penetration of active customer base by remote banking channels increased by 10%. The number of transactions made in remote service channels increased by 30%.

The following online and mobile banking services were added:

- phone number-linked transfers between CBM customers;
- quick transfers between own accounts (Drag and Drop);
- payments using QR and bar codes;
- repayment of loans from other banks' cards;
- debit card issue application;
- display of virtual card details;
- display of payment receipts;
- quick repeat of transactions;
- CBM Bonus programme updates;
- Sweetcard personalised offers;
- increasing limits on transfers between CBM cards;
- the function of adding a card to Apple Pay in mobile banking.

The share of tokenised cards in the active card base more than doubled, reaching 11.9%.

Also, the *MKB Payments* service for loan repayments and card-to-card transfers was updated and relaunched. The number of transactions made using the service increased by 74%.

Loan applications through the remote banking services were very popular: their number increased by 46%.

3. *Investment banking business*

Share in interest income[9]	50%
Share in fee and commission income	4%

CBM's IB team has unique experience in providing a wide range of investment banking services with a focus on the development of new investment products for large and medium-sized corporate customers and family offices and the modernisation of the existing technology platform. The investment banking project launched on CBM's platform focused on diversification of the repo portfolio and its own operations in the fixed-income markets, and expanded significantly the Bank's opportunities for cooperation with foreign counterparties in the financial market.

The Bank implemented a full, diversified line of investment products in 2018, of which the key ones are:

- Operations in the equity capital markets (ECM);
- Advice on mergers and acquisitions (M&A);
- Operations in the debt capital markets (DCM);
- Hedging of currency, interest rate and commodity risks;
- Operations in the foreign exchange market;
- Brokerage services;
- Securities trading in the exchange and over-the-counter markets, including leveraged trades;
- Repo transactions;
- Synthetic finance;
- Structured finance;
- Option programmes.

The capabilities and competitive advantages of CBM's investment business were underpinned by the acquisition of SOVA Capital[10], a London-based investment company, by the Bank's main shareholder, ROSSIUM Concern, in early 2018. SOVA Capital was established in 2007 and is now one of the leading investment companies providing a full range of investment services to institutional and corporate customers from Russia and other countries. The company's activities are regulated by UK law and the Financial Conduct Authority (FCA). Sova Capital provides its customers with access to more than 30 global markets and to major international trading platforms.

Cooperation between CBM and SOVA Capital allows the Bank not only to consolidate its customer base, increase its market share and improve the quality and volume of services offered, but also to provide its customers with access to international capital markets, thanks to the necessary infrastructure, a strong balance sheet and a professional team available to the Bank. All this combined with the location of CBM's Investment Business Directorate and SOVA Capital in the same building creates the conditions for maximum synergy of the Group's investment business. In addition, amid the toughening of US and EU sanctions, CBM and SOVA Capital can gain an advantage in the local market of investment banking services, as privately-owned entities. Thanks to the development of a new IB line in the Bank and the accession of a large international investment company to the banking group, ROSSIUM Concern has become one of the leading Russian privately-owned investment banking groups, which is present in Moscow and London and has an advanced growth strategy.

[9] Income from treasury operations and products included in the investment banking business line
[10] Formerly Otkritie Capital International Limited

Operating results:

- The securities portfolio increased by 61.7% in 2018 from RUB 142.3 bln to RUB 230.1 bln. An investment portfolio of foreign currency-nominated bonds of Russian issuers of high credit quality was created and exceeded USD 500 mln;

- The portfolio of direct REPOs (liquidity taken from the local market) was diversified. Concentration on single liquidity providers were reduced and distributed evenly among other market participants;

- 24 bond placements were arranged totalling RUB 199 bln for rouble bonds and USD 1.5 bln for Eurobonds. Customer-driven FX transactions exceeded USD 10 bln. The customer base for direct and reverse repo transactions was significantly expanded;

- CBM received the "Breakthrough of the Year" award from Cbonds, who ranked it 8th among bond arrangers in 2018;

- A comprehensive wealth management tool was introduced. Private Banking offers high net worth customers a wide range of services, helping to manage competently their wealth to create additional income and ensure comfortable distribution of disposable funds by investing in various products:

- investing in Russian and foreign markets;
- premium banking service;
- individual insurance programmes;
- individual pension programmes.

CBM's Private Banking strategy centres on a comprehensive customer service model based on the Group's product capabilities. It is focused on various customer needs related to the rational utilisation, protection, increase and hereditary transfer of wealth. The ability to maintain a dialogue with each customer on the whole range of their life goals and translate them into financial solutions is the key competence of Private Banking managers.

– The Bank upgraded completely its brokerage service system, migrated to Quik, an up-to-date system satisfying all customer needs, launched repo transactions with clearing participation certificates for customers, etc.

In 2018 the Bank arranged 22 bond issues for corporate customers like Russian Railways, POLUS, RUSAL, GTLC, etc for more than RUB 200 bln.

The main targets of CBM's investment banking for 2019 are:

Strategic initiatives for 2019	**Product range**
• Develop confident business relationships with major private corporate clients and family offices • Continue to diversify funding sources by finding new counterparties, including Western ones • Lengthen the funding base using structured instruments • Introduce new products: bi-currency deposits and commodity derivatives • Increase the DCM share • Strengthen the equity market positions • Develop IB infrastructure • Become the bank of choice for major corporate clients (one stop shop approach)	• Strengthen the DCM, ECM and M&A market positions • Enhance the expertise in structured finance • Expand the portfolio of direct and reverse repo transactions, diversify counterparties • Improve the existing brokerage infrastructure • Build a proprietary HTM securities portfolio • Bi-currency deposits, commodity derivatives • Cross-product sales, and a comprehensive approach covering client needs from plain vanilla products to hedging of currency, interest rate and commodity risks • Expand the range of debt instruments (securitisation, structured bonds, perpetual bonds, etc.) • Clearing brokerage for clients • Increase penetration of the high-net-worth-individuals segment by investment products

Further development of new investment products will help achieve a synergistic effect, serve as a driver for better operational efficiency, increase brand awareness and, as a result, augment CBM's shareholder value.

4. Cash handling

The Bank is one of the cash handling market leaders in Moscow and Moscow Region, as well as in Russia as a whole. Since 2015, its Group includes INKAKHRAN, one of the largest cash handling companies in Russia.

The Russian economy remains cash-intensive, which supports the high demand for cash handling services, especially among retailers. Historically, retail companies and credit institutions have been an important business segment for the Bank and generate a significant part of cash handling fees.

On top of the direct fee and commission income, the cash handling services allow the Bank to obtain additional benefits by reducing the cost of operating its own network of self-service devices (ATMs and payment terminals) and by installing them in places with high customer traffic, which increases the return on installation and maintenance investments.

The Bank regularly develops and introduces new cash handling products. One example is the collection of revenues through self-service devices (ATMs and payment terminals) with online credit of collected funds to the customer’s account.

The provision of cash handling services distinguishes the Bank from competitors and is its competitive advantage.

Main results of cash handling business as at end-2018:

- Number of customers exceeded 3,400, of which more than 150 are credit institutions;
- Number of serviced points exceeded 39,500;
- Number of cash handling routes exceeded 500.

The Bank actively attracted new large customers and regularly made logistics optimisation exercises in 2018.

The Bank has three in-house cash handling centres (where physical cash is accepted, counted and credited to customers’ accounts), of which 2 are located in the southern area and one in the northern area of Moscow, and 26 centres elsewhere in Russia. In 2018, new ones were opened in Vladimir, Chelyabinsk, Tyumen and Perm. The bank transported and counted more than RUB 3,450 bln and RUB 2,270 bln, respectively, in 2018. As at end-2018, the Bank’s fleet consisted of more than 870 armoured cash collection vehicles of varying capacity.

The Bank earned RUB 4.5 bln of fee and commission income on cash handling services[11] in 2018 and intends to continue developing this strategically important franchise, which creates synergy with corporate business.

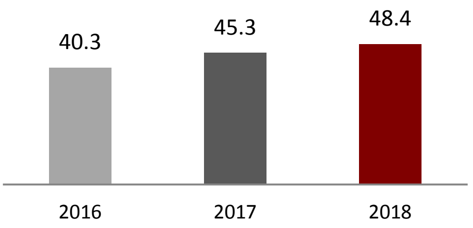
CBM operates one of the largest cash handling centres in Moscow. To ensure technological leadership in this area, the Bank’s IT specialists have developed and continually improve specialised automation software. Its capabilities allow the Bank to reduce consistently the cost of cash handling services provided to its and other credit institutions’ customers, to deliver cash to/from terminals and ATMs and other credit institutions’ branches.

[11] Includes the fee and commission income from cash handling and other cash operations

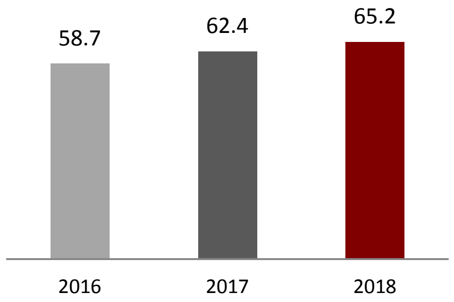
FINANCIAL RESULTS

1. *Key financial results*

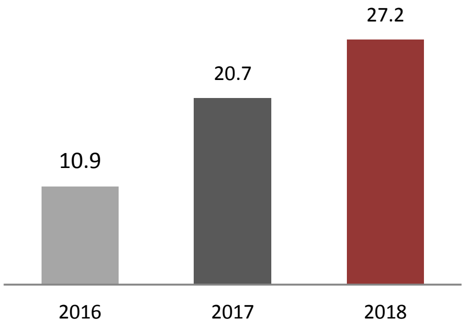
Income statement (RUB bln)



Net interest income grew by 6.9% yoy to RUB 48.4 bln

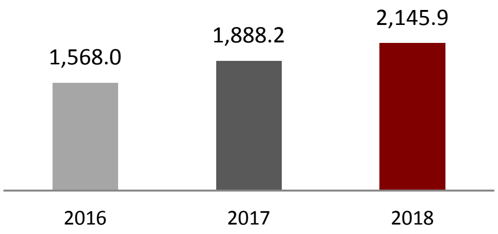


Total operating income (before provisions) grew by 4.5% yoy to RUB 65.2 bln

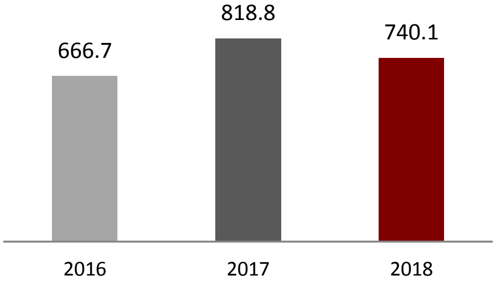


Net income increased by 31.5% yoy to RUB 27.2 bln

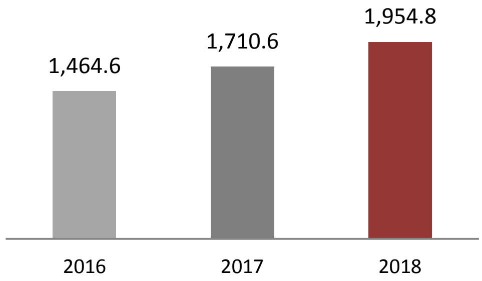
2. *Balance sheet (RUB bln)*



Total assets rose by 13.6% yoy to RUB 2,145.9 bln.

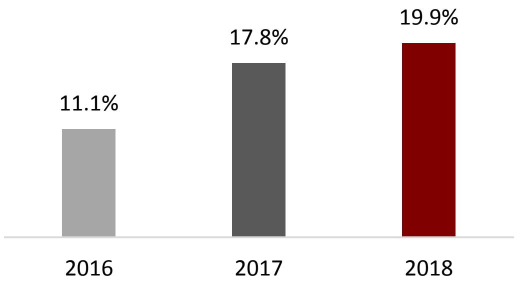


Gross loan portfolio shrank by 9.6% yoy to RUB 740.1 bln

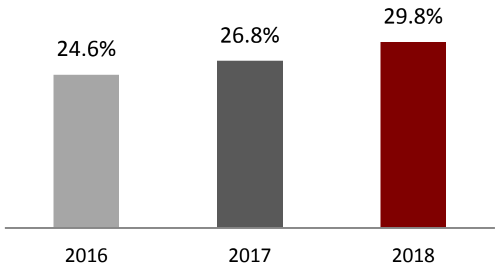


Total liabilities expanded by 14.3% yoy to RUB 1,954.8 bln

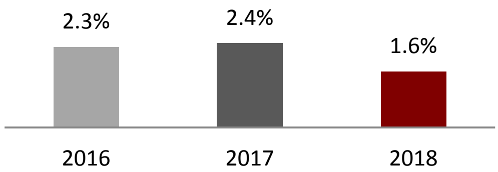
Key financial ratios (%)



ROE was 19.9% (growth by 2.1 pp during the year)



Cost-to-income (CTI) ratio was 29.8%



Ratio of NPL90+ decreased by 0.8 pp stood at 1.6%

3. Key results

- Net income increased by 31.5% yoy to RUB 27.2 bln
- Return on equity grew to 19.9%[12] compared to 17.8% one year ago. Return on assets was 1.4% compared to 1.2% as at end-2017
- Operational efficiency remained at a high level; cost-to-income ratio was 29.8%
- Assets increased by 13.6% to RUB 2.1 tln
- Ratio of NPLs (90+ days) to gross loan portfolio fell from 2.4% to 1.6%
- Cost of risk (COR) decreased from 2.5% as at end-2017 to 1.0% as at end-2018
- Provisioning rate decreased from 6.1% as at end-2017 to 4.2% as at end-2018
- Customer deposits increased by 35.1% ytd to RUB 1.3 tln
- Basel III capital grew by 8.4% ytd to RUB 297.4 bln

[12] ROAE disregards the RUB 46.7 bln perpetual subordinated debt

4. *Income statement analysis*

Profit for the Period (RUB bln)

2016	2017	2018
10.9	20.7	27.2

Interest Income

For the year ended 31 December 2018, CBM's interest income increased by RUB 11.0 bln, or 8.6%, to RUB 137.9 bln from RUB 127.0 bln for the year ended 31 December 2017.

	2018		**2017**		**Change**
	RUB bln	% of total	RUB bln	% of total	%
Loans to customers	68.9	50.0%	82.3	64.8%	-16.3
Due from banks, other financial institutions and the CBR	58.1	42.1%	35.8	28.2%	+62.3
Financial assets	10.9	7.9%	8.8	7.0%	+23.7
Total interest income	137.9	100.0%	127.0	100.0%	+8.6
Average yield on interest-earning assets (%)[13]		7.6%		8.4%	

The increase in CBM's interest income during the period under review resulted primarily from an increase in interest income on due from credit and other financial institutions as a result of a general increase in the volume of interest-bearing assets. While the average balance of interest-bearing assets increased from RUB 1,513.5 bln for the year ended 31 December 2017 to RUB 1,822.4 bln for the year ended 31 December 2018, average yield on interest-bearing assets decreased gradually from 8.4% for the year ended 31 December 2017 to 7.6% for the year ended 31 December 2018. A decrease in the average interest yield is due to persistent key rate cuts, increased competition in the banking sector and a greater share of highly liquid assets held pursuant to CBM's conservative approach to liquidity risk management and lending against a moderate recovery of economic growth.

Interest Income on Loans to Customers

The majority of CBM's interest income received in the period under review was attributable to interest income on loans to customers, which represented 50.0% of total interest income for the year ended 31 December 2018

For the year ended 31 December 2018, interest income on loans to customers declined by RUB 13.4 bln or by 16.3% to RUB 68.9 bln. The decrease was attributable to the lower interest rate environment triggered by the decreasing CBR key rate and increasing competition for high-quality borrowers among banks. In addition, the repayment of several large loans in the first quarter of 2018 contributed to the decrease in interest income from loans to customers. The average balance of loans to customers decreased to RUB 690.2 bln for the year ended 31 December 2018 from RUB 707.9 bln for the year ended 31 December 2017. CBM's average yield on loans to customers decreased from 11.6% for the year ended 31 December 2017 to 10.0% for the year ended 31 December 2018, in line with the general market trend of lower

[13] Average yields and values are averaged by quarters

interest rates. However, the Bank maintains a comfortable level of profitability, in particular because its deposit base has shorter maturities compared to the loan portfolio.

Interest Income on Due from Credit and Other Financial Institutions and the CBR

Interest income on due from credit and other financial institutions and the CBR represented 42.1% and 28.2% of total interest income for the years ended 31 December 2018 and 2017, respectively.

For the year ended 31 December 2018, interest income on due from credit and other financial institutions and the CBR increased by RUB 22.3 bln, or 62.3%, to RUB 58.1 bln from RUB 35.8 bln for the year ended 31 December 2017.

A substantial share of interest income on due from credit and other financial institutions and the CBR reflects a significant amount of reverse repo transactions, allowing the Bank to generate stable income with minimum levels of risk and capital consumption, while maintaining a comfortable “liquidity cushion” for any eventual instability of the financial market.

The average balance of due from credit and other financial institutions and the CBR increased from RUB 693.8 bln as at 31 December 2017 to RUB 957.1 bln as at 31 December 2018. CBM’s average yield on due from credit and other financial institutions and the CBR amounted to 6.0% for the year ended 31 December 2018 as compared to 5.2% for the year ended 31 December 2017, as a result of a greater volume of higher-yield rouble repo agreements.

Interest income on financial assets

Interest income on financial assets (which includes trading financial assets and investment financial assets) represented 7.9% and 7.0% of total interest income for the years ended 31 December 2018 and 2017, respectively. For the year ended 31 December 2017, interest income on financial assets increased by RUB 2.1 bln or by 23.7% to RUB 10.9 bln from RUB 8.8 bln for the year ended 31 December 2017 as a result of significant growth in the volume of the securities portfolio, as CBM being a systematically important bank has to comply with a mandatory ratio that implies maintaining a large portion of highly liquid securities on the balance sheet.

The average interest rate earned on debt securities declined to 6.2% for the year ended 31 December 2018 from 7.9% for the year ended 31 December 2017 on the back of CBR key rate cuts and a larger portion of Russian government securities that have lower interest rates than corporate securities.

Interest Expense

For the year ended 31 December 2018, CBM’s total interest expense increased by RUB 7.8 bln, or 9.6%, to RUB 89.5 bln from RUB 81.7 bln for the year ended 31 December 2017.

	2018		2017		**Change**
	RUB bln	% of total	RUB bln	% of total	%
Due to customers	48.6	54.3%	42.7	52.3%	+13.8%
Deposits by credit and other financial institutions and the CBR	32.1	35.8%	27.8	34.0%	+15.5%
Debt securities issued	8.8	9.8%	11.2	13.7%	-21.4%

Total interest expense:	89.5	100.0%	81.7	100.0%	+9.5%
Average rate on interest-bearing liabilities (%)		5.1%		5.5%	

The overall increase in CBM's interest expense during the period under review mainly resulted from increases in interest expense on due to customers and deposits by credit and other financial institutions and the CBR. The average interest rate paid by the Bank on interest-bearing liabilities was 5.1% and 5.5% for the years ended 31 December 2018 and 2017, respectively.

Interest Expense on Due to Customers

Interest expense on due to customers remained the largest component of CBM's total interest expense during the periods under review, representing 54.3% and 52.3% of total interest expense as at 31 December 2018 and 2017.

For the year ended 31 December 2018, interest expense on customers' current accounts and deposits increased by RUB 5.9 bln or by 13.9% to RUB 48.6 bln from RUB 42.7 bln as at 31 December 2017. Interest expense increased due to the general increase in due to customers by 35.1% to RUB 1,272.2 bln for 2018 as compared to RUB 941.7 bln for 2017, accompanied by an increase in CBR's key rate in the second half of 2018. The average interest rate on current accounts and deposits by customers decreased from 5.3% in 2017 to 4.8% in 2018, following the general trend in the Russian economy towards lower interest rates.

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued represented 9.8% and 13.7% of total interest expense for the years ended 31 December 2018 and 2017, respectively.

For the year ended 31 December 2018, interest expense on debt securities issued decreased by RUB 2.4 bln, or 21.4%, to RUB 8.8 bln from RUB 11.2 bln as of 31 December 2017. This decrease was due to the redemption by CBM of its debt securities and an interest rate decrease on non-Rouble-denominated debt which represents a large portion of debt securities issued by CBM. One of the main factors contributing to the decrease in interest rate on non-Rouble denominated debt was the redemption of Eurobonds with an interest rate of 7.7%, using the proceeds of the new issuance of 2023 Eurobonds with interest rate of 5.55%. As a result, the average interest rate paid by CBM on debt securities issued decreased from 8.8% in 2017 to 7.7% in 2018.

Interest Expense on Deposits by Credit and other Financial Institutions and the CBR

Interest expense on deposits by credit and other financial institutions and the CBR represented 35.8% and 34.0% of total interest expense as at 31 December 2018 and 2017, respectively.

For the year ended 31 December 2018, interest expense on deposits by credit and other financial institutions and the CBR increased by RUB 4.3 bln, or 15.5%, to RUB 32.1 bln from RUB 27.8 bln for the year ended 31 December 2017. This increase was due to an increase in the volume of direct repo transactions to address the funding requirements to finance the growth of business, as well as diversification of the funding base. The average interest rate paid by CBM on deposits by credit and other financial institutions and the CBR rose from 5.0% in 2017 to 5.3% in 2018.

Net Interest Income

Net interest income has historically been the largest component of the Bank's operating income.

	2018	2017
	(RUB bln)	
Interest income	137.9	127.0
Interest expense	(89.5)	(81.7)
Net interest income before charge for credit losses	48.4	45.3
Net interest margin	2.6%	2.9%

For the year ended 31 December 2018, net interest income before charge for credit losses increased by RUB 3.1 bln, or 6.9%, to RUB 48.4 bln from RUB 45.3 bln for the year ended 31 December 2017. CBM's net interest margin was 2.6% and 2.9% as of 31 December 2018 and 2017, respectively. A gradual decline in net interest margin in 2017 and 2018 is explained by tougher competition and a certain increase of share of highly liquid assets, risk-free and with lower income, as a result of its conservative approach to liquidity management.

Charge for Credit Losses

Loan impairment provisions and charge for credit losses are the main indicators of the Bank's loan portfolio quality and reflect the Bank's approach to risk management.

RUB mln	**Year ended 31 December**	
	2018	**2017**
Charge for credit losses on loans to customers:		
Loans to corporate customers	**6,009**	**14,847**
Auto loans	(13)	-
Mortgage loans	(60)	(178)
Credit cards	45	155
Consumer loans	1,296	3,773
Total loans to individuals	**1,268**	**3,750**
Total charge for credit losses on loans to customers	**7,277**	**18,597**
Cost of risk	**1.0%**	**2.5%**

For the year ended 31 December 2018, CBM recognised a charge for credit losses on loans to customers of RUB 7.3 bln, a decrease of RUB 11.3 bln, or 60.9%, from RUB 18.6 bln for the year ended 31 December 2017. The decrease in the charge for credit losses on loans to customers is attributable to overall qualitative improvement of CBM's loan portfolio: reduction of NPLs and settlement of several large corporate exposures which were impaired, but not overdue (stage 3). The improving loan portfolio quality was also evidenced by a reduction in the cost of risk by 1.5 pp to 1.0%.

Non-interest Income

	Year ended 31 December	
	2018	**2017**
	RUB mln	
Fee and Commission Income	15,829	15,510
Fee and Commission Expense	(3,483)	(3,002)
Net loss on loans to customers at fair value through profit or loss	(5,611)	-
Net (loss)/gain on financial instruments at fair value through profit or loss	(189)	773
Net loss from sale and redemption of financial assets at fair value through other comprehensive income	(251)	-
Net realised gain/(loss) and impairment of available−for−sale assets	-	341
Foreign exchange gains	2,723	2,701
Impairment (losses)/recoveries on other non-financial assets, credit	(2,895)	(264)

	Year ended 31 December	
	2018	2017
	RUB mln	
(losses)/recoveries on other financial assets and credit related commitments and other provisions		
State deposit insurance scheme contributions.	(1,906)	(1,286)
Operating lease income	81	1,634
Net income from disposal of subsidiaries	637	1,076
Other operating income/(expense)	3,366	(593)
Non-interest income	**8,301**	**16,890**
Non-interest income as % of operating income	**15.2%**	**39.1%**

Fee and Commission Income

The largest source of CBM's non-interest income is its fee and commission income. CBM's fee and commission income primarily comprises commissions generated by settlements and wire transfers, cash operations, plastic cards, insurance contracts processing, cash handling, guarantees and letters of credit, etc.

	2018	2017
Fee and commission income		
Settlements and wire transfers	2 642	2 298
Other cash operations	2 556	2 060
Plastic cards	2 414	2 661
Insurance contracts processing	2 324	1 952
Guarantees and letters of credit	2 177	2 246
Cash handling	1 954	2 031
Currency exchange and brokerage commission	976	1 340
Opening and maintenance of bank accounts	573	537
Other	213	385
	15 829	**15 510**

The Bank's total fee and commission income increased by RUB 0.3 bln, or 2.1%, to RUB 15.8 bln as of 31 December 2018 from RUB 15.1 bln as of 31 December 2017. Fee and commission income grew moderately because of increased competition, which put pressure on the pricing of fee-generating products. The structure of fee and commission income has remained stable with settlements and wire transfers, other cash operations, plastic cards, insurance contracts processing and guarantees and letters of credit fee and cash handling being its main components. One of the key drivers of growth of fee and commission income was fees on cash operations, including cash handling, which increased by 24.1% to RUB 2.6 bln. Currency exchange and brokerage commission decreased by 27.2% due to the effect of a significant one-off currency transaction in the first half of 2017.

Fee and Commission Expense

For the year ended 31 December 2018, fee and commission expense increased by RUB 0.5 bln, or 16.0%, to RUB 3.5 bln from RUB 3.0 bln for the year ended 31 December 2017. The increase was mainly due to growth in bank card-related expenses under payment card cashback and loyalty programmes.

Net Fee and Commission Income

For the year ended 31 December 2018, CBM had net fee and commission income of RUB 12.3 bln as compared to net fee and commission income of RUB 12.5 bln for the year ended 31 December 2017. The share of fee and commission income in operating income (before provisions) declined by 1.1 pp from 20.0% in 2017 to 18.9% in 2018.

Net Loss on Loans to Customers at Fair Value through Profit or Loss

Net loss on loans to customers at fair value through profit or loss amounted to RUB 5.6 bln for the year ended 31 December 2018. This income statement item came to being in the first quarter of 2018 due to the adoption of IFRS 9. It reflects changes in fair value of corporate loans to customers at fair value through profit or loss, and is used in calculating the cost of risk.

Net Gain/(Loss) on Financial Instruments at Fair Value through Profit or Loss

For the year ended 31 December 2018, CBM had a net loss on financial instruments at fair value through profit or loss of RUB 0.2 bln as compared to a net gain of RUB 0.8 bln for the year ended 31 December 2017. CBM enters into securities operations mainly for interest income and deployment of extra liquidity. CBM does not engage in transactions with securities for speculative purposes.

Net loss from sale and redemption of financial assets at fair value through other comprehensive income

For the year ended 31 December 2018, CBM recorded a net loss from sale and redemption of financial assets at fair value through other comprehensive income of RUB 0.3 bln. There was no such income statement item in 2017.

Net Foreign Exchange Gains

The Bank's income or expense from net foreign exchange gains or losses primarily represents net gains or losses from currency transactions, net gains or losses on open foreign currency positions and the purchasing and selling by the Bank of currency derivatives for hedging the currency risks of its clients. The Bank generates net income from foreign exchange transactions where the Bank's sale price for a particular instrument is higher than its purchase price, and typically incurs losses on its derivative transactions, which are hedging expenses incurred in order to limit the Bank's foreign currency exposure and to manage its liquidity position.

The Bank's net foreign exchange gain for the year ended 31 December 2018 was RUB 2.7 bln, the same as for the year ended 31 December 2017, and was mainly due to income generated from currency swap contracts.

Impairment (Losses)/Recoveries on Other Non-Financial Assets, Credit (Losses)/Recoveries on Other Financial Assets and Credit Related Commitments and Other Provisions

CBM recorded losses on impairment on other non-financial assets and credit related commitments and other provisions RUB 2.9 bln for the year ended 31 December 2018 as compared to losses of RUB 0.3 bln mainly as a result of an increase in net charge for provisions for claims and other provisions due to IFRS 9 implementation, partially offset by an increase in net recovery for provisions for financial guarantees and credit related commitments.

State Deposit Insurance Scheme Contributions

State deposit insurance scheme contributions include amounts that the Bank pays for membership in the state mandatory system of retail deposit insurance, and are assessed in proportion to the volume of deposits by retail customers. Such contributions amounted to RUB 1.9 bln in 2018 and RUB 1.3 bln in 2017. The increase is explained by the growth of CBM's retail deposit portfolio in 2018.

Operating Lease Income

For the year ended 31 December 2018, CBM's operating lease income was RUB 0.1 bln as compared to RUB 1.6 bln for the year ended 31 December 2017. The significant decrease was due to the sale of CBM Ireland Leasing Limited in December 2017, CBM's subsidiary which leased aircraft acquired by CBM in 2015 as a result of enforcement of collateral under letters of credit.

Net Income from Disposal of Subsidiaries

In 2018, CBM recognised a gain from disposal of a subsidiary in the amount of RUB 0.6 bln based on the sale of 100% share in its subsidiary MKB-Leasing to a third party for RUB 1.6 bln.

Other Operating Income/(Expense)

For the year ended 31 December 2018, CBM's other operating income was RUB 3.4 bln as compared to other operating expense of RUB 0.6 bln in 2017. The increase in other operating income in 2018 was mainly due to income from operations with own securities (including income from partial redemption of Eurobonds due 2027 and perpetual Eurobonds) and obtained fees.

Operating Expense

As of 31 December 2018, the Bank's operating expense increased by RUB 2.7 bln, or 15.9%, to RUB 19.4 bln from RUB 16.8 bln as of 31 December 2017. This increase was primarily due to increases in salaries and employment benefits.

	Year ended 31 December			
	2018		2017	
	RUB mln	%	RUB mln	%
Salaries and employment benefits	12,290	63.3%	9,516	56.8%
Administrative expenses	6,085	31.3%	5,377	32.1%
Amortisation of fixed assets	1,051	5.4%	1,863	11.1%
Total operating expense	**19,426**	**100.0%**	**16,756**	**100.0%**
Cost-to-income ratio (%)		**29.8%**		**26.8%**

The Bank has kept its cost-to-income ratio at a low level, namely 29.8% and 26.8% as of 31 December 2018 and 2017, respectively. This indicator was supported by high operating income and low administrative expenses, while being affected by salaries and employment benefits.

Salaries and Employment Benefits

Salaries and employment benefits increased by RUB 2.8 bln, or 29.2%, to RUB 12.3 bln for the year ended 31 December 2018 from RUB 9.5 bln for the year ended 31 December 2017. This increase was primarily due to salary increases resulting from inflation and heightened competition in the market for qualified personnel. This increase is also partially attributable to the acquisition of the branch network of Sovetsky Bank by CBM and the respective transfer of Sovetsky Bank branches' employees onto CBM's payroll. In addition, valuable highly qualified professionals were recruited in 2018 to the top management team.

Administrative Expenses

For the year ended 31 December 2018, CBM's administrative expenses increased by RUB 0.7 bln or 13.2% to RUB 6.1 bln from RUB 5.4 bln for the year ended 31 December 2017. The increase reflects the expansion of the Bank's corporate and retail banking activities, further development of the branch network (including ATMs and payment terminals) and expansion of the cash handling business.

Advertising and business development. As of 31 December 2018, CBM's advertising and business development expenses increased by RUB 0.2 bln, or 15.6%, to RUB 1.3 bln from RUB 1.2 bln as of 31 December 2017. CBM increased advertising expenses to attract more retail deposits. The advertising campaign resulted in a greater amount of retail deposits and a wider brand awareness.

Occupancy. For the year ended 31 December 2018, CBM's occupancy expenses increased by RUB 0.2 bln, or 14.5%, to RUB 1.2 bln from RUB 1.0 bln for the year ended 31 December 2017. The 2018 increase mainly reflected the acquisition of the branch network of Sovetsky Bank.

5. *Structure of assets and liabilities.*

Balance sheet

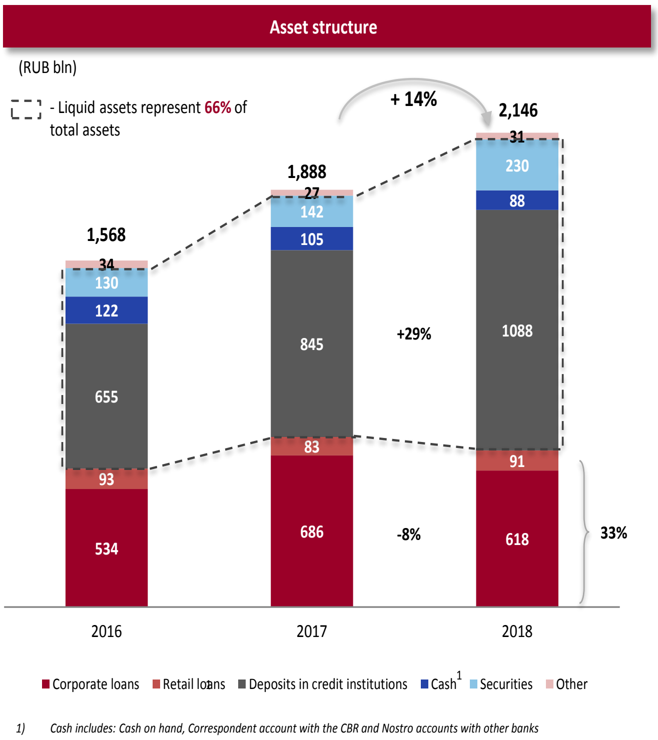
RUB mln	2018	2017	Change
Assets			
Cash and cash equivalents	1,162,779	934,033	+24%
Obligatory reserves with the Bank of Russia	13,065	8,884	+47%
Due from credit and other financial institutions	13,183	16,369	-19%
Trading financial assets	15,665	117,282	-87%
Investment financial assets	214,481	25,066	+756%
Loans to customers	709,045	768,676	-8%
Investments in associates	2,275	-	-
Fixed assets	7,182	7,866	-9%
Other assets	8,252	10,015	-18%
Total assets	**2,145,927**	**1,888,191**	**+14%**
Liabilities and equity			
Due to the CBR	-	-	-
Due to banks	552,930	639,861	-14%
Due to customers	1,272,175	941,724	+35%
Debt securities issued	105,305	116,280	-9%
Deferred tax liability	4,248	3,779	+12%
Other liabilities	20,096	8,958	+124%
Total liabilities	**1,954,754**	**1,710,602**	**+14%**
Equity			
Share capital	27,942	27,942	0%

Additional paid-in capital	46,247	46,247	0%
Perpetual debt issued	46,691	40,320	+16%
Revaluation surplus for buildings	490	582	-16%
Fair value reserve for securities	(1,834)	394	-565%
Retained earnings	71,637	62,104	+15%
Total equity	**191,173**	**177,589**	**+8%**
Total liabilities and equity	**2,145,927**	**1,888,191**	**+14%**

Assets structure

As at 31 December 2018, the Bank's total assets increased by 13.7% or RUB 257.7 bln and reached RUB 2,145.9 bln. The increase was mainly driven by the increase in due from credit and other financial institutions by 28.8% (or RUB 243.2 bln) to RUB 1,088.2 bln, and in the securities portfolio by 61.7% (or RUB 87.8 bln) to RUB 230.1 bln These increases represent the development of CBM's reverse repo business coupled with an increase in CBM's high-quality corporate and government bonds portfolio.

Loans to customers remain one of the largest components of CBM's total assets, accounting for 33.0% thereof. Liquid assets, which include cash and cash equivalents, due from banks and securities portfolio, rose in 2018 by RUB 313.4 bln or 28.7% to RUB 1,406.1 bln or 66% of total assets.



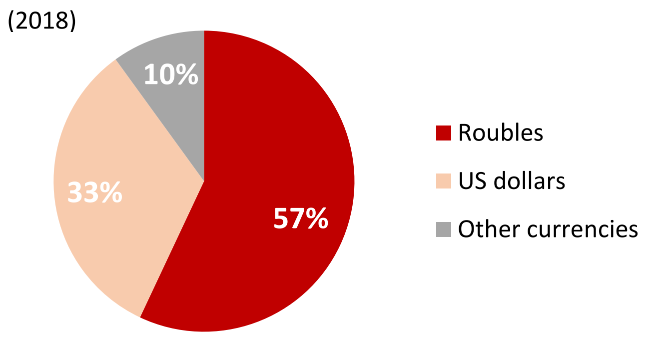
Loan portfolio

The total loan portfolio (net of credit loss allowance) as at 31 December 2018 was RUB 740.1 bln, representing a 9.6% decrease from RUB 818.8 bln as at 31 December 2017. The decrease in loans to customers is attributable to sizeable repayments in the first half of 2018, and the settlement of several corporate loans which were impaired but not overdue (stage 3), thus improving the overall quality of CBM's loan portfolio. The share of corporate loans in the total loan portfolio dropped from 89.3% as at end-2017 to 86.9% as at end-2018. The corporate portfolio stood at RUB 643.5 bln as of 31 December 2018.

The retail loan portfolio expanded by 10.1% to RUB 96.6 bln due to an increase in unsecured loans by 14.2% to RUB 72.2 bln. Thus, the share of retail loans in the total loan portfolio increased from 10.7% as at end-2017 to 13.1% as at end-2018.

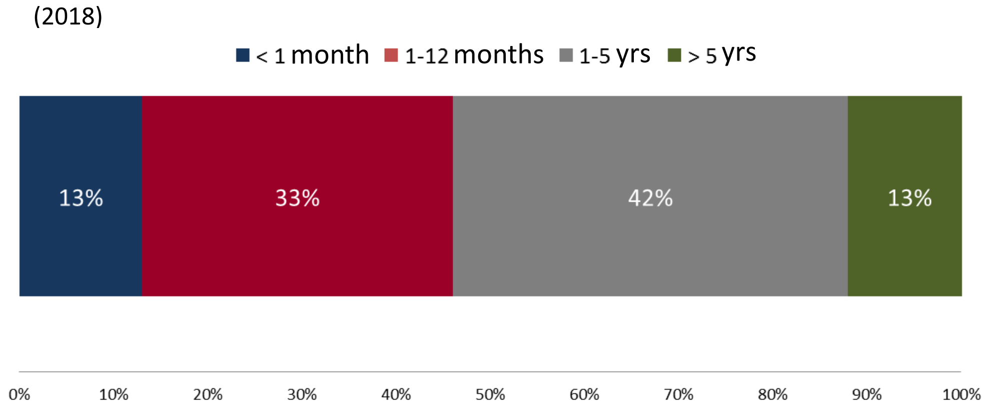
The Bank is an active player in the international finance market and, thus, has liabilities nominated in foreign currencies. For a more balanced currency structure of its assets and liabilities, the Bank now only provides foreign currency loans to customers, whose business includes a foreign currency component. As at 31 December 2018, 56.9% of the Bank's loan portfolio was nominated in roubles, 33.3% in US dollars and the remaining 9.8% in other currencies.

Loan portfolio breakdown by currencies



As at end-2018, the total portfolio is dominated by loans with maturities of more than 1 year, representing 54%. Short-term loans (with maturities up to 1 year) account for 46%.

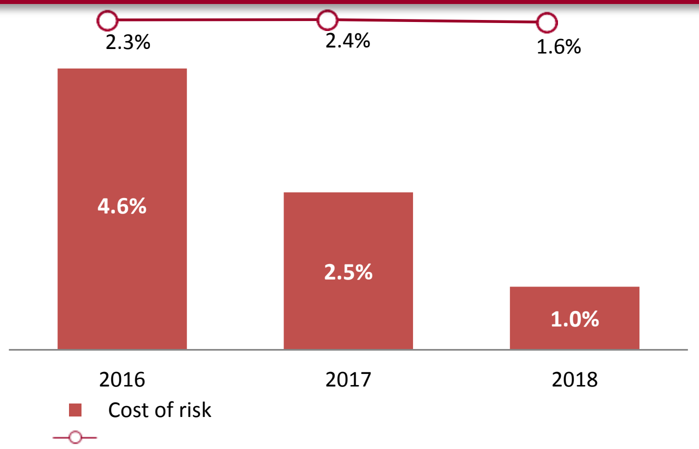
Total loan portfolio by maturities



Loan portfolio quality

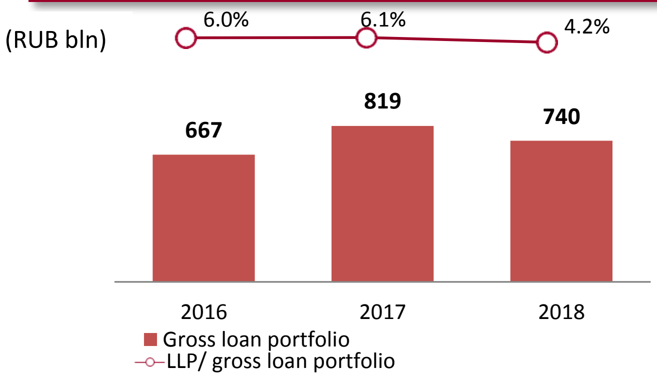
CBM traditionally focuses on loan portfolio quality and credit risk minimisation. The share of non-performing loans (NPL90+) in the total gross loans to customers decreased in 2018 from 2.4% to 1.6% which was driven by, on the one hand, CBM's efficient recovery work with non-performing borrowers and, on the other, positive macroeconomic trends. Write-offs accounted for a marginal 2.1% share of the total portfolio in 2018 (1.2% in 2017).

NPL 90+ and cost of risk

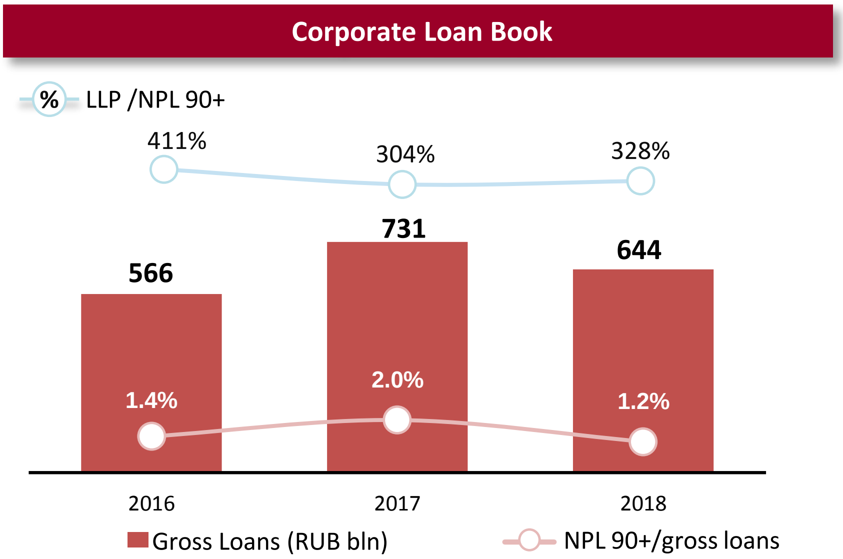


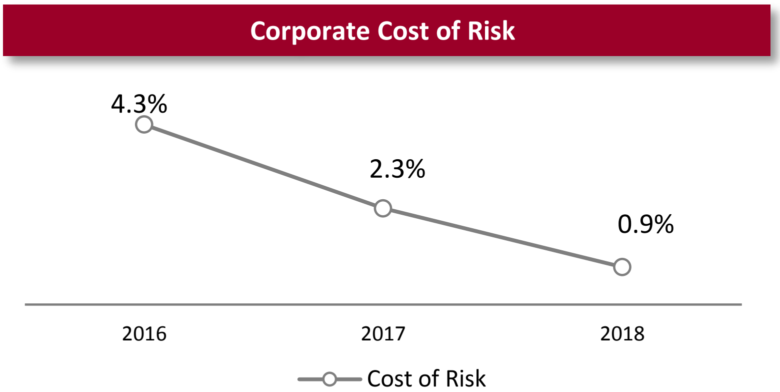
Credit loss allowance stood at RUB 31.1 bln as at end-2018 as compared to RUB 50.1 bln as at end-2017, representing a 1.9 pp reduction to 4.2% as a percentage of the gross loan portfolio. The decrease in credit loss allowance by 38.0% or RUB 19.1 bln was driven by a decrease in NPLs and improving loan book quality. CBM's ratio of NPL coverage by credit loss allowance remained at a consistently high level of 260.0% as at end-2018. The improving loan portfolio quality was also evidenced by a reduction in the cost of risk by 1.5 pp to 1.0%.

Coverage of loan portfolio by provisions



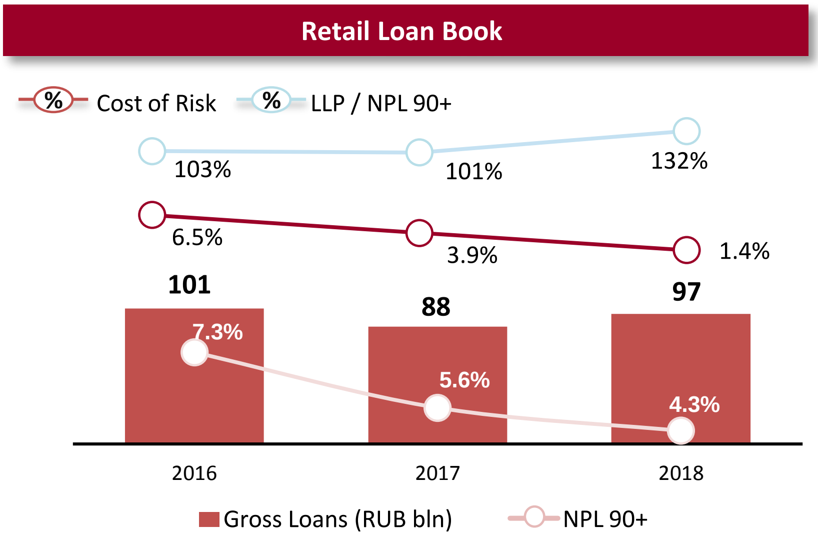
The corporate loan portfolio provisioning rate declined by 2.2 pp to 4.0%, with the LLP/NPL coverage ratio rising to 328.2%. The corporate loan book quality improved in 2018 as the cost of risk declined by 1.3 pp to 0.9% and additionally created provisions decreased to RUB 6.0 bln as at end-2018, compared to RUB 14.8 bln as at end-2017. The ratio of NPL90+ to gross corporate portfolio went down by 0.8 pp in 2018 to 1.2% on the back of settlement of large, problem loans, as mentioned above.





NPL90+ in the gross retail portfolio, which expanded by 10.1% in 2018, dropped from 5.6% as at end-2017 to 4.3% as at end-2018.

The NPL coverage ratio for the retail portfolio was 131.8% as of 31 December 2018 compared to 101.2% as at end-2017, as retail NPLs fell by RUB 0.8 bln to RUB 4.1 bln. The provisioning rate for the retail portfolio remained at the 2017 level of 5.7%. At the same time, as the retail loan portfolio was not aggressively expanded, the focus is made solely on high-quality borrowers and most new loans are originated to employees of the Bank's corporate customers and to its existing clients, the cost of risk of the retail loan portfolio decreased in 2018 by 2.5 pp to 1.4%.



Cash and Cash Equivalents

Cash and cash equivalents represent items that are readily convertible into cash, which are subject to an insignificant risk of changes in value.

The increase in cash and cash equivalents in 2018 was mainly the result of the increases in deposits in credit and other financial institutions with maturities below 1 month, which mostly represent reverse repo transactions secured upon securities of top-tier issuers and putting minimal pressure on capital.

As at 31 December 2018, CBM had cash and cash equivalents of RUB 1,162.8 bln as compared to RUB 934.0 bln as at 31 December 2017, representing an increase of 24.5%. Deposits in banks and other financial institutions with maturities below one month rose by 29.7%. Such growth was mostly driven by CBM's increased reverse repo transactions activity in the interbank lending market pursuant to its liquidity management strategy.

Securities portfolio

CBM's securities portfolio comprised 10.7% and 7.5% of CBM's total assets as at 31 December 2018 and 2017, respectively. CBM classifies its securities portfolio into trading financial assets and investment financial assets. CBM's securities portfolio consists primarily of Russian government and municipal securities, corporate bonds and Eurobonds of top-tier Russian companies with solid credit ratings. As at end-2018, 56% of the securities portfolio was attributable to corporate bonds and 42% to Russian government and municipal bonds, with 75% of debt securities in the portfolio being on the Bank of Russia's Lombard List.

As at 31 December 2018, CBM's securities portfolio totalled RUB 230.1 bln as compared to RUB 142.3 bln as at 31 December 2017. The increase in CBM's securities portfolio is primarily attributable to an increase in the volume of government bonds (OFZ) and high-quality corporate bonds, aimed at enhancing CBM's liquidity ratios and generating stable low-risk income.

Due from banks

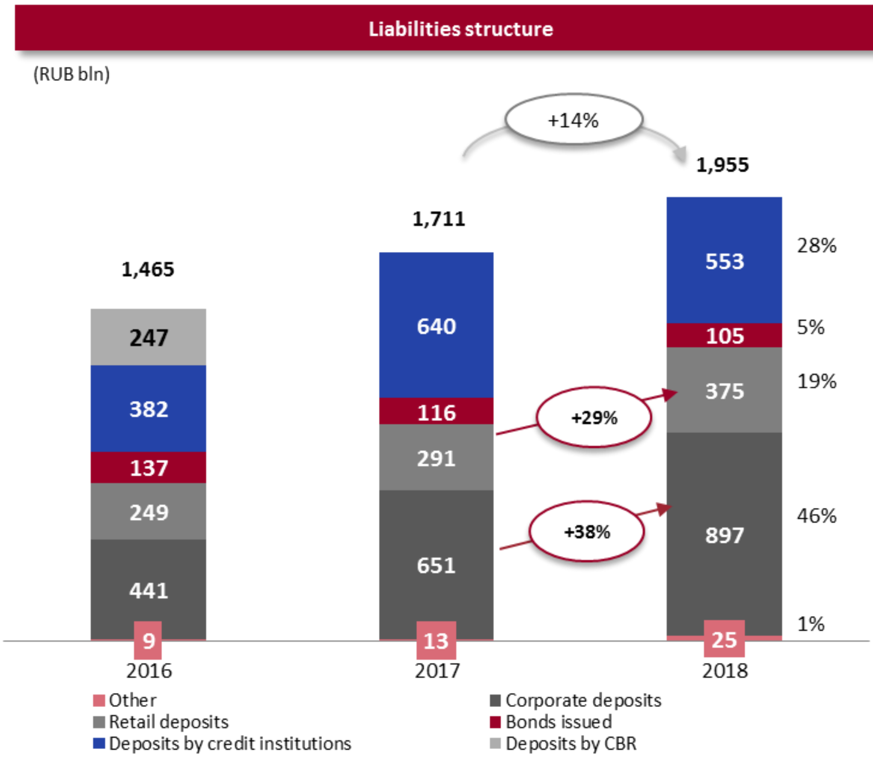
Accounts and deposits with banks contracted from RUB 16.4 bln as at end-2017 to RUB 13.2 bln as at end-2018. The decrease in deposits in credit and other financial institutions was mainly attributable to a decrease in the volume of reverse repo transactions with maturities exceeding one month, from RUB 8.4 bln to RUB 7.8 bln as at end-2018.

Liabilities Structure

Funding base

The Bank's funding base relies primarily on deposits from retail and corporate customers. Other sources of funding include domestic bonds and Eurobonds, borrowings in the Russian interbank market, borrowings from international financial institutions and syndicated loans. The Bank also has access to the Bank of Russia's financing on a secured and unsecured basis.

CBM's funding strategy is to continue to develop a diversified funding base in order to achieve an optimal balance between its own capital, domestic and international borrowings to cover the growing needs of CBM's business, both in terms of currency and maturity.

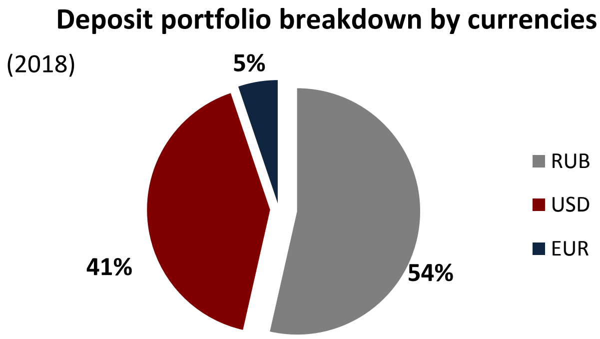


As at 31 December 2018, CBM had total liabilities of RUB 1,954.8 bln, an increase of RUB 244 bln, or 14.3%, from RUB 1,710.6 bln as at 31 December 2017. This increase was primarily due to an increase in due to customers, partially offset by a decrease in due to credit institutions.

Current accounts and deposits by customers

Accounts and deposits by customers represented 65.1% of total liabilities or RUB 1,272.2 bln in 2018, having grown by 35.1% yoy. Corporate and retail deposits demonstrated stable growth, having increased by 37.9% and 28.8% yoy to RUB 897.1 bln and RUB 375.1 bln, respectively. This increase partially resulted from the transfer of retail deposits held by Sovetsky Bank to CBM's balance sheet and further enhancement of CBM's retail product range with a focus on remote services, as well as from organic growth in the corporate portfolio. Customer deposits are a strong source of liquidity for the Bank which grows steadily as the Bank expands its customer base in the process of solidifying its positions in the Russian banking sector.

Term deposits rose by 57% to RUB 1,188.6 bln representing 93% of the total deposit base. Term deposits account for 93% of all corporate deposits or RUB 833.3 bln and 95% of all retail deposits or RUB 355.3 bln.

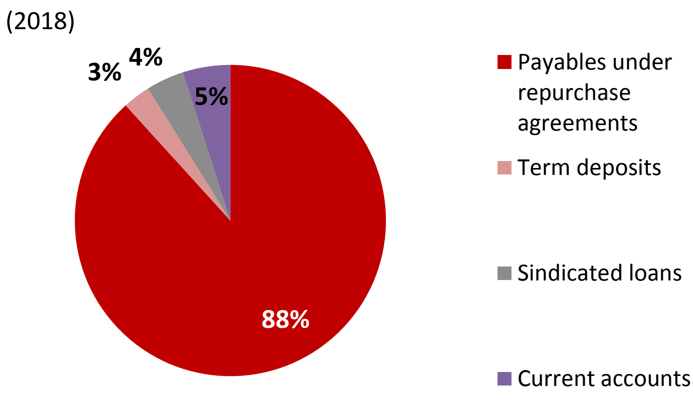


Customer deposits are denominated mainly in roubles (54% of the total deposit base as at end-2018 compared to 52% as at end-2017).

Due to Credit Institutions

Due to credit institutions include payables under repurchase agreements, term deposits, current accounts and syndicated loans. Due to credit institutions represented 28.3% and 37.4% of total liabilities as at 31 December 2018 and 2017, respectively.

Breakdown of deposits by credit institutions



Due to credit institutions decreased by RUB 86.9 bln, or 13.6%, from 639.9 RUB bln as at 31 December 2017 to RUB 552.9 bln as at 31 December 2018. The decrease in 2018 was attributable to a decrease in payables under repurchase agreements and a decrease in term deposits mainly caused by the lack of necessity to attract additional resources in the interbank market, partially offset by an increase in current accounts.

Debt instruments

CBM issues debt securities in the domestic and international markets to fund its business growth. Debt securities issued represented 5.4% and 6.8% of CBM's total liabilities as at 31 December 2018 and 2017, respectively. The total amount of debt instruments reduced by 9.4% yoy to RUB 105.3 bln primarily due to redemption of debt instruments as well as revaluation of USD-denominated Eurobonds.

	2018		2017	
	RUB bln	% of total	RUB bln	% of total
Eurobonds	96.3	91.4%	89.2	76.7%
Bonds	9.0	8.6%	27.1	23.3%
Total debt securities issued	105.3	100.0%	116.3	100.0%

Includes RUB 44.2 bln and RUB 49.6 bln in subordinated bonds as at 31 December 2018 and 2017, respectively.

2018 was marked by the issue of the Bank's USD 500 mln 5.55% senior Eurobonds due 2023, placed on the Irish Stock Exchange in February. Its coupon rate became the lowest in the Bank's entire Eurobond market history and among all 5-year Eurobonds issued by Russian privately-owned banks.

Capital

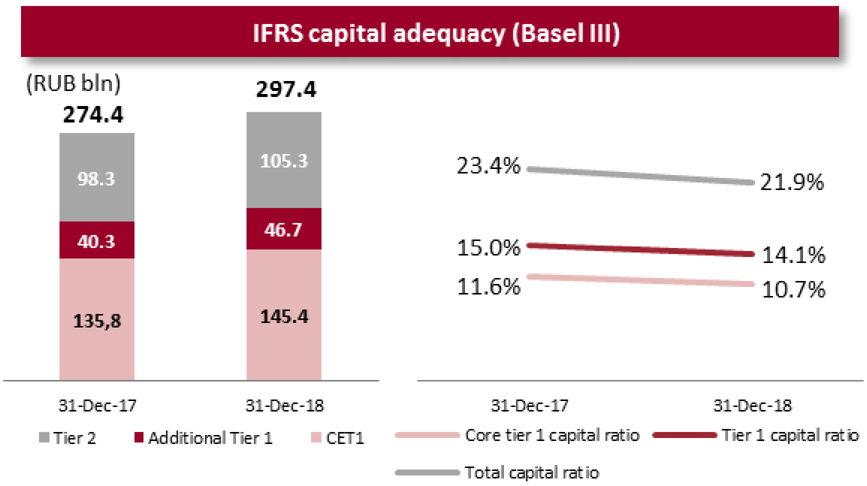
Equity capital

CBM's total equity increased by RUB 13.6 bln, or 7.6%, from RUB 177.6 bln as of 31 December 2017 to RUB 191.2 bln as of 31 December 2018. The increase was primarily due to retained earnings and revaluation of perpetual debt issued.

In July 2018, the Bank issued RUB 5 bln perpetual subordinated bonds series 15 with the proceeds qualified as additional tier I capital. The interest rate for the first 12 coupon periods is 12%.

In October 2018, CBM optimised its capital structure by a partial early redemption of USD 70 mln in the aggregate principal amount of subordinated Eurobonds, including USD 700 million 8.875% per annum perpetual loan participation notes.

The Basel III capital adequacy ratio was 21.9% and the Tier I capital ratio was 14.1% as at end-2018. The Bank's total capital according to the Basel III standards increased by 8.4% to RUB 297.4 bln, mostly due to its net income.



CORPORATE GOVERNANCE SYSTEM

1. Controlling Shareholder's Memorandum

CREDIT BANK OF MOSCOW's corporate governance system is an important element of its policy, integrated into its business management system.

The Bank seeks to meet the best international and Russian standards by continuously improving its governance system in line with the Russian Corporate Governance Code recommended by the Bank of Russia and international corporate governance standards setting out most important principles shared by the Bank's shareholders, directors and officers.

The commitment of the Bank's shareholders, Supervisory Board members and employees to the Corporate Governance Code is attested by the fact that its principles and provisions are incorporated into the Bank's bylaws, and its corporate governance system is being developed according to a plan approved by the Supervisory Board. The development of corporate governance practices in the Bank is overseen by the Compensation, Corporate Governance and Nominations Committee of the Supervisory Board.

The controlling shareholder is a Supervisory Board member himself and confirms his commitment to best corporate governance practices by making sure each year that as many independent directors are elected to the Supervisory Board as necessary to comply with the listing rules and corporate governance principles. The controlling shareholder also participates in annual shareholders meetings, thus giving minority shareholders an opportunity to ask him directly about the Bank's development.

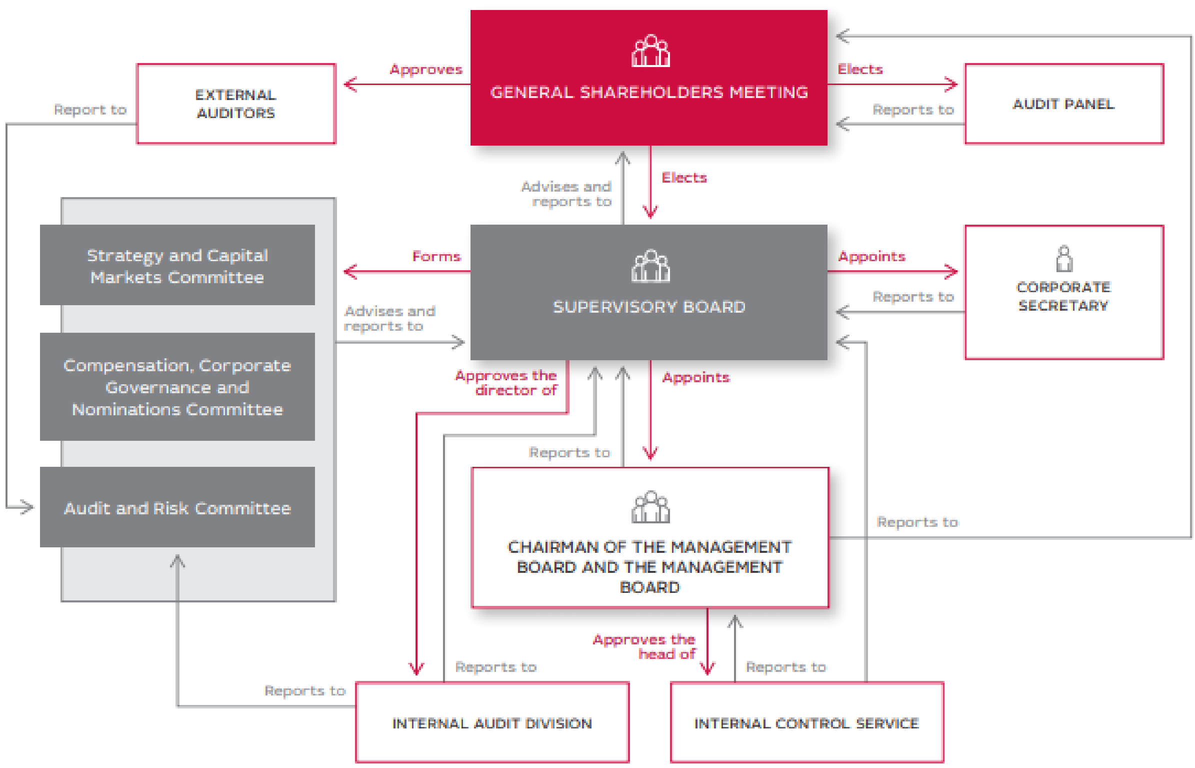
The Supervisory Board pays much attention to the protection of minority shareholders' interests and to the quality of the Bank's disclosures to all stakeholders. To protect shareholders' interests and facilitate the achievement of the Bank's goals, the Supervisory Board regularly monitors the risk management and internal control system's effectiveness.

The Bank grows and develops actively, strengthening its capital base in particular by way of equity capital market exercises, and seeking to comply, now and going forward, with high corporate governance standards.

2. *Corporate governance system*

The Bank's corporate governance system is a system of principles and standards, balancing interests of its shareholders, management and other stakeholders, facilitating effective performance of its management bodies and enhancing its investment appeal.

The Bank's corporate governance structure



Being committed to good corporate governance, CREDIT BANK OF MOSCOW improves its corporate governance system on an ongoing basis in line with legal changes, Moscow Exchange's listing rules, recommendations of the Russian Corporate Governance Code and the Bank of Russia, international standards and best practices, but, above all, its shareholders' interests.

2.1. Corporate governance principles

The Bank has committed to the following corporate governance principles (as set forth in its Corporate Governance Code):

In respect of the shareholders

- equal and fair treatment
- equal and fair opportunity to participate in profits
- equal terms and conditions
- reliable and efficient means of recording title to shares

In respect of the Supervisory Board

- the Supervisory Board is responsible for the strategic management of the Bank, determines major principles of and approaches to creation of a risk management and internal control system within the Bank and monitors the activity of the Bank's executive bodies

- the Supervisory Board reports to the General Shareholders' Meeting
- the Supervisory Board should be an efficient and professional governing body of the Bank which is able to make objective and independent judgements and pass resolutions in the best interests of the Bank and its shareholders
- the Supervisory Board should include a sufficient number of independent directors
- the Chairman of the Supervisory Board should help it carry out the allocated functions in the most efficient manner;
- Supervisory Board members should act reasonably and in good faith in the best interests of the Bank and its shareholders
- meetings of the Supervisory Board, preparation for them and participation of Supervisory Board members therein should ensure the efficient operation of the Supervisory Board
- the Supervisory Board may form committees for preliminary consideration of the most important issues of the Bank's business
- the Supervisory Board should provide for an evaluation of the quality of its work and that of its committees and members

In respect of the Corporate Secretary

- the Bank's Corporate Secretary should ensure efficient interaction with its shareholders, coordination of the Bank's operations designed to protect the rights and interests of its shareholders, and support the efficient work of the Bank's Supervisory Board

In respect of the Bank's Supervisory Board member and executive remuneration system

- the level of remuneration paid by the Bank shall be sufficient to enable it to attract, motivate and retain persons having the required skills and qualifications
- remuneration due to the Supervisory Board members and executives of the Bank should be paid in accordance with the remuneration policy approved by the Bank
- the system of remuneration of the Supervisory Board members should ensure harmonisation of the financial interests of the directors with the long-term financial interests of the shareholders
- the Bank's executive remuneration system should ensure harmonisation of the directors' financial interests with the shareholders' long-term financial interests

In respect of the risk management and internal control system

- the Bank should have an efficient internal control and risk management system in place

— the Bank should arrange for an internal audit to independently appraise, on a regular basis, the reliability and efficiency of its risk management and internal control system and corporate governance practices

In respect of the Bank's information disclosure and its information policy

— the Bank and its activities should be transparent to its shareholders, investors and other stakeholders
— the Bank should disclose, on a timely basis, full, up-to-date and reliable information about its activities
— the Bank should provide any information or documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility

In respect of material corporate actions

— any material corporate actions should be taken on fair terms and conditions, ensuring that the rights and interests of the shareholders as well as other stakeholders are observed
— the Bank should make provision for a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and to influence them, and that would also guarantee that the shareholders' rights are observed and duly protected in the course of such actions

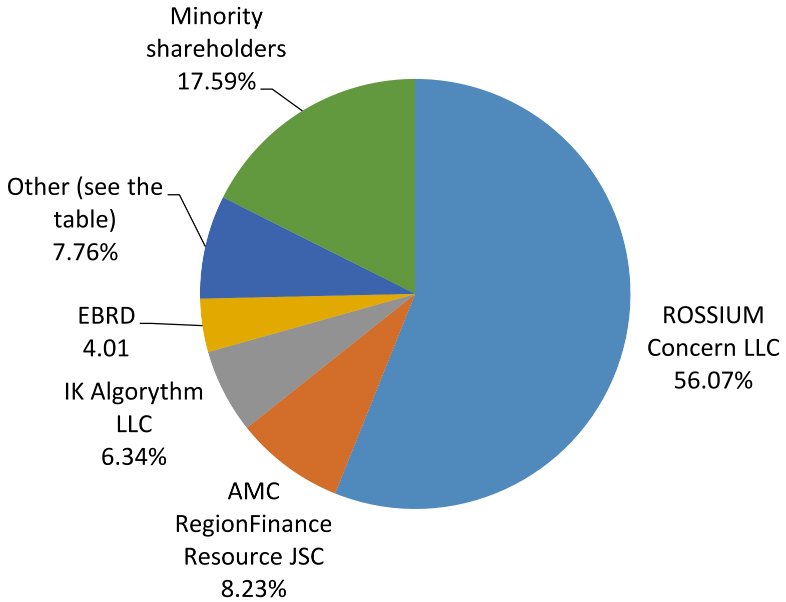
2.2. Improvement and development of the Bank's corporate governance system in 2018 and plans for 2019

The Bank clearly understands the role of corporate governance and develops and improves it continuously. The following important changes were made in the reporting period:

- The Bank of Russia registered amendment No.2 made to the Bank's Charter to reflect an increase in its charter capital and synchronise the Charter with Russian laws.
- An updated Regulation on the General Shareholders' Meeting was approved.
- An updated Regulation on the Supervisory Board was approved.
- An updated Regulation on the Management Board and the Chairman of the Management Board was approved.
- An updated Regulation on the Audit Panel was approved.
- An updated Regulation on the Audit and Risk Committee was approved.
- An updated Regulation on the Compensation, Corporate Governance and Nominations Committee was approved.

To further improve and develop its corporate governance system in 2019, the Bank plans to monitor changes in applicable laws and synchronise its Charter and other bylaws accordingly, and achieve fuller compliance with recommendations of the Russian Corporate Governance Code, in particular by amending its Charter to specify in more detail the procedure for qualifying Supervisory Board members as independent directors in line with the listing rules of Moscow Exchange.

3. *General Shareholders' Meeting*



Share capital structure[14]

Shareholder	Percentage
REGION Trust LLC (NPF NEFTEGARANT-NPO JSC)	3.44660%
REGION Trust LLC (NPF FUTURE JSC)	2.61000%
VektorInvest LLC	1.20000%
REGION Trust LLC (NPF NEFTEGARANT JSC)	0.48430%
Vladimir A. Chubar	0.01457%
IK Region JSC	0.00330%
REGION EsM JSC	0.00170%
AMC REGION Investments JSC	0.00089%
Total:	**7.76%**

Registered, issued and placed equity of the Bank consists of 27,079,709,866 ordinary shares of 1 rouble par value each. The Bank's shares are admitted to trading on Moscow Exchange in the first level quotation list.

3.1. Information about the Bank's shares

Categories (classes) of shares	
Type and category of shares	Ordinary registered
Issue form	Uncertificated
Number of shares issued	27,079,709,866
Par value of 1 (one) security, RUB	1

[14] As at 18.12.2018

3.2.__Preparations for General Shareholders’ Meetings__

The General Shareholders’ Meeting is the Bank’s supreme managing body. Shareholders’ participation in general meetings is the basic form of exercising their right to participate in the Bank’s management. It is primarily by voting that shareholders exercise their right to participate in managing the Bank and thereby substantially influence its business. In particular, shareholders’ meetings have the power to approve the annual report and annual accounting statements, elect the Bank’s key management and control bodies, approve major transactions and interested party transactions and a number of other important matters.

The procedure for preparing and holding General Shareholders’ Meetings is governed by the Bank’s Charter and the Regulation on the General Shareholders’ Meeting, which are intended to ensure observance of shareholders’ rights and comply with all requirements of Russian laws and recommendations of the Bank of Russia's Corporate Governance Code. The Supervisory Board shall, when acting on any matters related to the calling or preparing of the General Shareholders’ Meetings, observe, *inter alia*, the following rules:

– the Bank shall send to the shareholders a notice of the General Shareholders’ Meeting and post it on the Bank’s website at least 20 days prior to its date, at the same time providing access to the materials of the General Shareholders’ Meeting, giving enough time to the shareholders for preparation of items of the agenda of the General Shareholders’ Meeting;

– to ensure equal treatment of all its shareholders, including foreign shareholders, the Bank may provide materials and voting ballots in Russian and English;

– the Bank shall disclose the information about the date of drawing up a list of persons entitled to participate in a General Shareholders' Meeting at least 7 days prior to such a date;

– during the preparation for the General Shareholders' Meeting, the shareholders can ask questions by sending them to the Corporate Secretary's e-mail address cs@mkb.ru;

– the General Shareholders' Meetings shall be held in Moscow, and the venue and time shall be chosen with account taken of the number of shareholders and the possibility of personal attendance at such meetings by all the Bank's shareholders;

– each shareholder can participate in an in-person General Shareholders' Meeting exercising his/her right to vote in a way convenient for him/her: mailing the voting ballot or attending in person;

– in contemplation of the General Shareholders’ Meeting, the shareholders shall be given such information and in such manner as will enable them to get a comprehensive view of the Bank’s performance and make well-grounded decisions on the items of the agenda thereof.

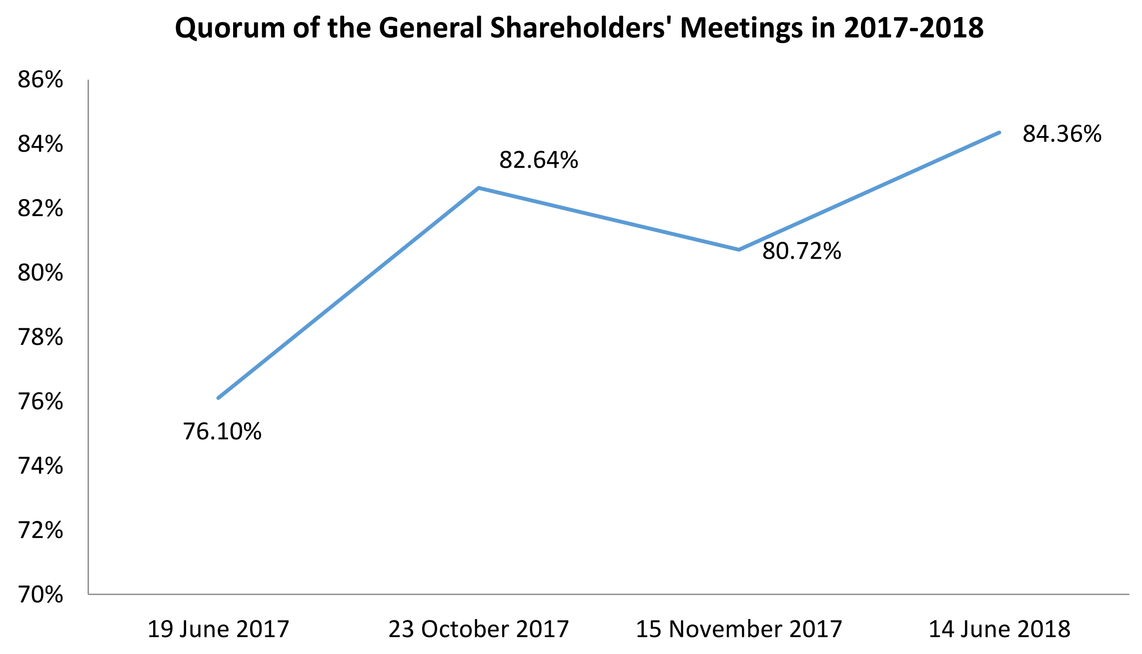
__3.3. General Shareholders’ Meetings in 2018__

The annual General Shareholders’ Meeting was held on 14 June 2018 to consider the following issues:

1. Approval of the Bank’s annual report for 2017.
2. Approval of the Bank’s annual accounting (financial) statements for 2017.
3. Distribution of the Bank’s income for 2017, including payment (declaration) of dividends;
4. Approval of the Bank’s auditors.
5. Determination of the number of Supervisory Board members.
6. Election of the Supervisory Board members.

7. Determination of remuneration and compensation for Supervisory Board members.
8. Election of the Audit Panel members.
9. Approval of amendments to the Bank's Charter.
10. Approval of the Regulation on the General Shareholders' Meeting.
11. Approval of the Regulation on the Supervisory Board .
12. Approval of the Regulation on the Management Board and Chairman of the Management Board.
13. Approval of the Regulation on the Audit Panel.
14. Approval of the Regulation on Remuneration and Compensation to be paid to the Supervisory Board Members.

The list of items of agenda of the annual General Shareholders' Meeting and its resolutions are available on the Bank's website in the disclosure section (https://mkb.ru/investor/emitent-news/finans-info?year=2018), and on the website of Interfax-CRKI, an information agency accredited by the CBR for disclosures (http://e-disclosure.ru/portal/company.aspx?id=202 (the "Interfax website").



3.4. Dividend policy

The Supervisory Board's approach to recommending dividend size and payment mechanics is set forth in the Bank's Dividend Policy.

Any decision to pay (declare) dividends, including any decision on dividend size and payment procedure for shares of each category (type) shall be taken by the General Shareholders' Meeting based on the Supervisory Board's recommendations.

Dividends shall be paid out of the Bank's net income and distributed among shareholders in proportion to the number of their shares of the respective category and type.

The Supervisory Board shall recommend dividend amounts to the General Shareholders' Meeting so that at least 10% of the Bank's RAS net income is distributed thereby.

3.5. Dividend history

The Annual General Shareholders' Meeting, held on 14 June 2018 decided not to pay any dividends for 2017. The income earned in 2017 was left at the disposal of the Bank. Similar resolutions were made in the previous years. https://mkb.ru/investor/shareholder):

2018: no resolution to pay (declare) dividends was made.
2017: no resolution to pay (declare) dividends was made.
2016: no resolution to pay (declare) dividends was made.
2015: no resolution to pay (declare) dividends was made.
2014: no resolution to pay (declare) dividends was made.

3.6. Registrar

As a means to safeguard the shareholders' title to shares, the Bank's share register is maintained by an independent registrar. The Bank's registrar since December 2016 has been JSC IRC – R.O.S.T. (former JSC R.O.S.T. Registrar) who also has the statutory duty to act as the counting commission.

4. Supervisory Board

The Supervisory Board is a collective body and the key element of the Bank's corporate governance system. It represents shareholders' interests and is responsible for increasing the value of the business by formulating the long-term strategy, defining principles and approaches to arranging a risk management system and internal controls, and by monitoring performance of the Bank's executive bodies.

The Supervisory Board's competence is set out in the Bank's Charter and the Regulation on the Supervisory Board of CREDIT BANK OF MOSCOW, which also specifies the procedure for convening and holding Supervisory Board meetings, and formulates the basic qualification requirements for Supervisory Board members.

Supervisory Board meetings are called according to a timetable of meetings to be approved by the Supervisory Board, and cover main issues of the Bank's operations.

4.1. Preparation of Supervisory Board meetings and their quorum

The Charter requires that materials relating to the agenda be provided to Supervisory Board members 15 days prior to the relevant meeting so as to allow them to make reasonable decisions. The Supervisory Board seeks to make any resolutions on agenda items at in-person meetings after they are first considered at meetings of the Supervisory Board committees. The Supervisory Board's work plan pre-defines which committee is to examine and scrutinise which matter. The Regulation on the Supervisory Board covers the procedure for preparing and holding Supervisory Board meetings.

When holding in-person meetings, Supervisory Board members also have business meetings as business dinners, where they informally discuss colleagues' (including the Chairman of the Management Board and a representative of the majority shareholder) viewpoints in respect of agenda items.

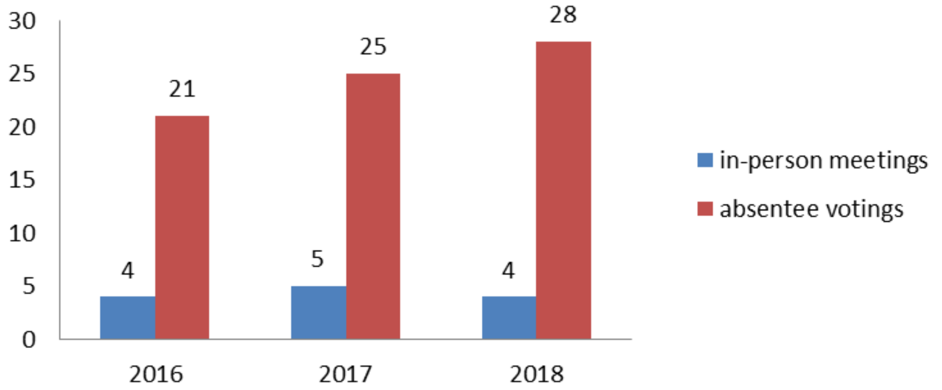
No Supervisory Board meeting was adjourned for want of quorum.

4.2. Supervisory Board's report for 2018

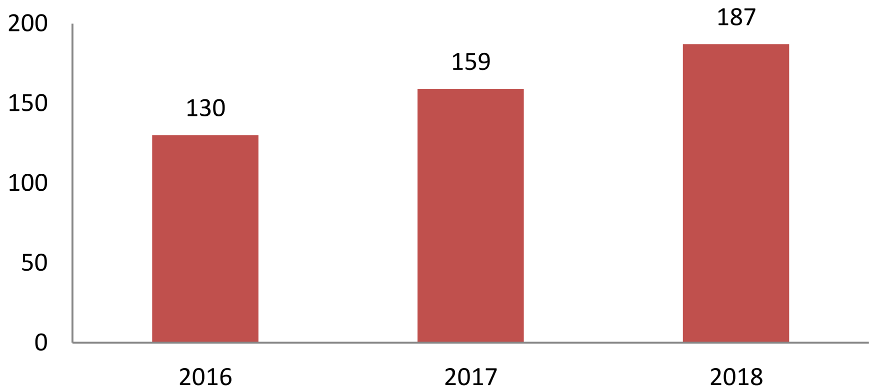
32 Supervisory Board meetings were held in 2018 (of which four were in-person meetings), 2 meetings more than in 2017.

The full list of items of agenda of Supervisory Board meetings, and their resolutions are available on the Bank's website in the disclosure section and on the Interfax website (http://e-disclosure.ru/portal/company.aspx?id=202).

Number of Supervisory Board meetings



Number of issues transacted at Supervisory Board meetings



Statistics of issues discussed

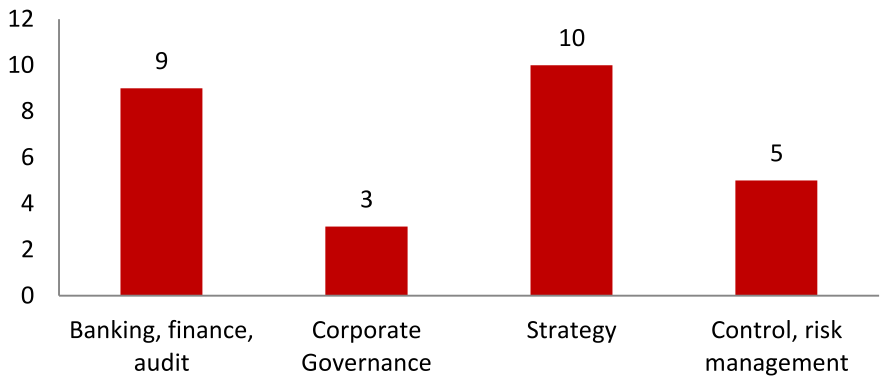
4.3. Attendance of Supervisory Board and Supervisory Board committees meetings by directors in 2018

Director	Supervisory Board	Audit and Risk Committee	Compensation, Corporate Governance and Nominations Committee	Strategy and Capital Markets Committee
William Forrester Owens	32/32 (100%)	-	9/9 (100%)	5/5 (100%)
Roman I. Avdeev	32/32 (100%)	-	-	5/5 (100%)
Andrew Sergio Gazitua	32/32 (100%)	-	9/9 (100%)	5/5 (100%)
Vladimir A. Chubar	32/32 (100%)	-	-	5/5 (100%)
Thomas Günther Grasse	32/32 (100%)	23/23 (100%)	-	5/5 (100%)
Andreas Klingen	32/32 (100%)	23/23 (100%)	-	5/5 (100%)
Ilkka Seppo Salonen	32/32 (100%)	23/23 (100%)	-	5/5 (100%)
Sergey Yu. Menzhinsky	32/32 (100%)	-	-	5/5 (100%)
Lord Daresbury (Peter)	32/32(100%)	-	9/9 (100%)	2/2 (100%)
Alexey A. Stepanenko	32/32 (100%)	-	-	-

4.4. Supervisory Board members as at 31 December 2018

The current Supervisory Board members were elected by the annual General Shareholders' Meeting on 14 June 2018 by cumulative voting and will serve until the next annual shareholders' meeting.

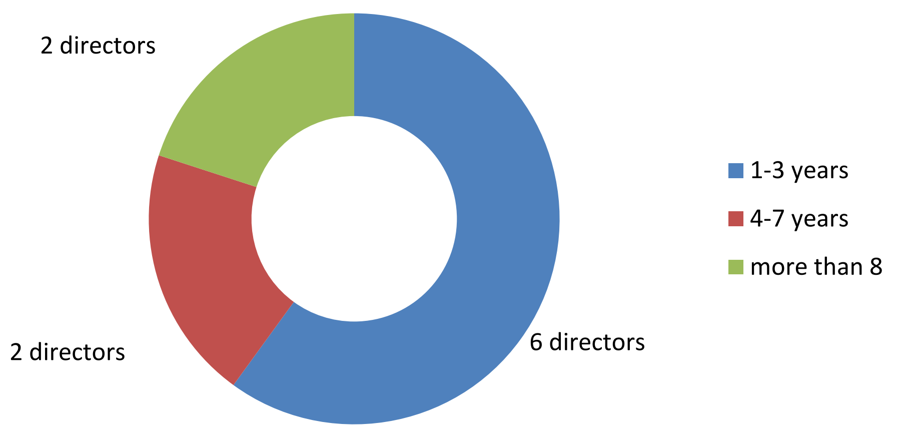
Key competences of Supervisory Board members



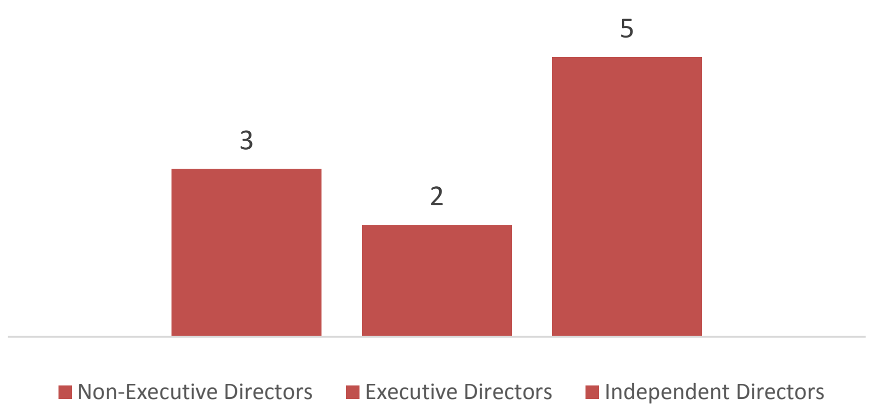
Director	***Banking, Finance, audit***	***Corporate governance***	***Strategy***	***Control, risk management***
William Forrester Owens	+	+	+	
Roman I. Avdeev	+		+	
Andrew Sergio	+	+	+	+

Gazitua				
Thomas Günther Grasse	±		±	±
Lord Daresbury (Peter)		±	±	
Andreas Klingen	±		±	±
Sergey Yu. Menzhinsky	±		±	
Ilkka Seppo Salonen	±		±	±
Alexey A. Stepanenko	±		±	±
Vladimir A. Chubar	±		±	

Breakdown of Supervisory Board members by years of service



Breakdown of Supervisory Board members by degree of independence



4.5. Changes in the Supervisory Board in 2018

There were no changes in the Supervisory Board in 2018.

As at 31 December 2018, there were 10 Supervisory Board members, five directors qualified as independent directors under the independence criteria set out by the Bank's Charter and Corporate Governance Code and Moscow Exchange's Listing Rules. This proportion of independent directors corresponds to international practice and ensures unbiased, prudent and independent decision-making.

One of the independent Supervisory Board members with extensive business experience, in particular in financial, investment and strategic management, is elected as the Senior Independent Non-Executive Director.

4.6. Supervisory Board members as at 31 December 2018

William Forrester Owens

Independent Non-Executive Director, Chairman of the Supervisory Board

Member of the Strategy and Capital Markets Committee, Chairman of the Compensation, Corporate Governance and Nominations Committee

Born on 22 October 1950 in Fort Worth, Texas (USA).

1973: bachelor's degree in Science from Stephen F. Austin State University (USA).

1975: master's degree in Public Affairs from University of Texas (USA).

CAREER SUMMARY:

- 11.01.2007 – 15.12.2016: member of the Board of Directors of Key Energy Services, Inc.
- 01.02.2007 – to date: Senior Associate at University of Denver.
- 06.01.2010 – to date: member of the Board of Directors of Cloud Peak Energy, Inc.
- 01.04.2010 – 31.12.2015: Executive Director of Renew Strategies LLC.
- 13.05.2010 – 19.03.2018: member of the Board of Directors of Bill Barrett Corporation.
- 26.04.2011 – to date: member of the Board of Directors of Federal Signal Corporation.
- 28.11.2012 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 16.04.2013 – to date: Chairman of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 01.01.2016 – to date: Senior Director of Greenberg Traurig.
- 19.03.2018 – to date: member of the Board of Directors of High Point Resources.

First elected to the Supervisory Board by the extraordinary General Shareholders' Meeting on 28 November 2012; re-elected by the annual General Shareholders' Meeting on 14 June 2018.

Chairman of the Supervisory Board since 16 April 2013.

No stake in the Bank's charter capital.

Roman I. Avdeev

Non-Executive Director, member of the Supervisory Board

Member of the Strategy and Capital Markets Committee

Born on 17 July 1967 in Odintsovo, Moscow Region (Russia).

1994: certificate in banking from Moscow International University of Business and Information Technologies.

1996: degree in Industrial and Civil Construction from Lipetsk State Technical University.

1999: Ph.D. in Engineering Science from Penza State Academy of Architecture and Construction.

CAREER SUMMARY:

- 17.01.2008 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 27.03.2014 – 27.02.2015: Chairman of the Board of Directors of MCB Capital LLC.
- 28.02.2015 – 28.12.2017: Vice President of MCB Capital LLC.
- 23.09.2015 – to date: member of the Board of Directors of Rossium Concern LLC.
- 23.09.2015 – 20.10.2015: Chairman of the Board of Directors of Rossium Concern LLC.
- 31.05.2016 – to date: member of the Board of Directors of Private Pension Fund Soglasie JSC.
- 30.06.2016 – 06.12.2018: member of the Board of Directors of Private Pension Fund Soglasie-OPS JSC.
- 06.08.2016 – to date: member of the Board of Directors of SKS Bank, LLC.
- 14.12.2017 – to date: member of the Board of Directors of INGRAD PJSC.
- 29.12.2017 – to date: Chairman of the Board of Directors of INGRAD PJSC.
- 17.01.2018 – to date: Chairman of the Board of Directors of Rossium Concern LLC.

First elected to the Supervisory Board by the sole shareholder on 17 January 2008; re-elected by the annual General Shareholders' Meeting on 14 June 2018. No stake in the Bank’s charter capital.

Indirectly controls 56.07% of shares in the Bank (as of 16.01.2019).

Andrew Sergio Gazitua

Senior Independent Non-Executive Director, member of the Supervisory Board

Member of the Compensation, Corporate Governance and Nominations Committee, Chairman of the Strategy and Capital Markets Committee

Born on 14 February 1962 in New York (USA).

1985: bachelor's degree in Arts in Political Science from Haverford College.

CAREER SUMMARY:

- 30.06.2004 – to date: member of the Board of Directors of Web Financial Group, S.A.
- 15.12.2011 – to date: member of the Board of Directors of Civitas Partners Holdings Limited.
- 13.04.2012 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 11.04.2013 – 31.10.2017: Chairman of the Board of Directors of AS Expobank, Latvia.
- 16.04.2015 – 19.03.2019: member of the Board of Directors of Awad Capital Ltd., Dubai.
- 30.01.2016 – 16.07.2017: member of the Board of Directors of Walbrook Capital Markets Limited, UK.
- 17.05.2017 – to date: Chairman of the Board of Directors of Web Financial Group, S.A.

First elected to the Supervisory Board by resolution of the sole shareholder on 13 April 2012; re-elected by the annual General Shareholders' Meeting on 14 June 2018.

No stake in the Bank’s charter capital.

Thomas Günther Grasse

Non-Executive Director, member of the Supervisory Board

Member of the Strategy and Capital Markets Committee and the Audit and Risk Committee

Born on 15 May 1955 in Ludwigshafen am Rhein (Germany).

1977: bachelor's degree in Banking from Frankfurt School of Finance and Management.

1999: training in investment and banking activities and corporate finance at J.P. Morgan, New York.

CAREER SUMMARY:

- 01.05.2009 – to date: owner of TG Consult, Munich, German.
- 04.05.2009 – 07.04.2014: member of the Board of Directors of Banca Intesa CJSC (Moscow).
- 25.03.2010 – 29.12.2014: member of the Board of Directors of Alliance Bank JSC (Almaty, Kazakhstan).
- 25.05.2012 – to date: member of the Consultative Board of Specta Group AG, Zug, Switzerland, and Moscow, Russia.
- 31.03.2014 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 29.04.2014 – to date: member of the Board of Directors of Banca Transilvania S.A., Cluj-Napoca, Romania.
- 24.07.2017 – to date: Managing Partner of ROMOTO GmbH (Munich, Germany).
- 28.06.2018 – to date: Deputy Chairman of the Board of Directors of Banca Transilvania S.A., Cluj-Napoca, Romania.
- 25.09.2018 – to date: member of the Board of Directors of B.C. VICTORIABANK S.A. (Chișinău, Republic of Moldova).
- 04.10.2018 – to date: Deputy Chairman of the Board of Directors of B.C. VICTORIABANK S.A., (Chișinău, Republic of Moldova).

First elected to the Supervisory Board by the extraordinary General Shareholders' Meeting on 31 March 2014; re-elected by the annual General Shareholders' Meeting on 14 June 2018.

No stake in the Bank's charter capital.

Lord Daresbury (Peter)

Independent Non-Executive Director, member of the Supervisory Board

Member of the Compensation, Corporate Governance and Nominations Committee and the Strategy and Capital Markets Committee

Born on 18 July 1953 in London (UK).

1971: graduated from Eton College.

1975: Master of Arts' degree from Magdalene College, Cambridge.

1980: attended Sloan fellowship at London Business School.

CAREER SUMMARY:

- 26.04.1988 – 30.04.2014: Chairman of Aintree Racecourse Company Ltd.
- 31.05.1988 – 30.04.2014: Chairman of Grand National Steeplechase Limited.
- 02.01.2001 – 18.09.2017: Director of Delamere Forest Properties Limited.
- 18.10.2005 – to date: Director of Nasstar (UK) Ltd.
- 02.12.2005 – to date: Non-Executive Chairman of Nasstar Plc.
- 18.09.2006 – 30.04.2014: Director of Commonside Investments Ltd.
- 01.07.2007 – 03.11.2014: Non-Executive Chairman of Mallett Ltd.
- 19.12.2007 – to date: Director of Rusant.

- 14.01.2008 – 30.04.2018: Non-Executive Chairman of Stellar Diamonds plc.
- 20.06.2008 – 04.08.2014: Director of Green's (West End) Limited.
- 26.06.2008 – 04.08.2014: Director of The Greenhouse Wine Company Limited.
- 01.12.2008 – to date: member of PHD Core Investors LLP.
- 20.02.2009 – to date: Chairman of the Management Board of Jockey Club Catering Ltd.
- 01.03.2009 – to date: member of PHD Carried Interest LLP.
- 10.02.2011 – 30.09.2017: Non-Executive Director of Bespoke Hotel Group.
- 27.11.2012 – to date: Non-Executive Chairman of Aurian Mining.
- 01.01.2013 – 31.12.2018: member of the Board of Directors (Steward) of The Jockey Club.
- 17.04.2013 – to date: Director of Pesto Restaurants.
- 01.05.2013 – to date: Committee Chairman at Haydock Park Racecourse.
- 19.08.2013 – to date: Director of Daresbury Estates Ltd.
- 10.01.2014 – to date: Director of NASSTAR GROUP LTD.
- 12.05.2014 – 08.02.2017: Non-Executive Chairman of Timico Technology Group.
- 15.11.2017 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 06.07.2018 – to date: Director of Auriant Mining Zambia Ltd.

First elected to the Supervisory Board by the annual General Shareholders' Meeting on 14 June 2018.

Stake in the Bank’s charter capital as at the end of the reporting year: 0.00185%.

Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00185%.

Shares of the Bank acquired or disposed of in the reporting year:

- transaction date: 21.09.2018
- transaction type: acquisition
- category (type) of shares: ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31
- number of shares: 500,000.

Andreas Klingen

Independent Non-Executive Director, member of the Supervisory Board

Member of the Strategy and Capital Markets Committee and the Audit and Risk Committee

Born on 18 August 1964 in Berlin (Germany).

1991: Master of Science degree in physics from Technische Universität in Berlin.

1993: Master of Business Administration degree from Rotterdam School of Management.

CAREER SUMMARY:

- 01.10.2014 – 30.06.2017: Associate Professor at bbw Hochschule (Berlin, Germany).
- 14.11.2014 – 14.11.2018: member of the Board of Directors of KOMERCIJALNA BANKA A.D. (Belgrade, Serbia).
- 22.06.2015 – to date: member of the Supervisory Board of NOVA LJUBLJANSKA BANKA D.D. (Ljubljana, Slovenia).
- 07.11.2016 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 22.12.2016 – to date: member of the Board of Directors of Kyrgyz Investment and Credit Bank CJSC (Bishkek, Kyrgyz Republic).

First elected to the Supervisory Board by the extraordinary General Shareholders' Meeting on 07 November 2016; re-elected by the annual General Shareholders' Meeting on 14 June 2018.

No stake in the Bank’s charter capital.

Sergey Yu. Menzhinsky

Non-Executive Director, member of the Supervisory Board

Member of the Strategy and Capital Markets Committee

Born on 27 June 1971 in Egoryevsk, Moscow Region (Russia).

1993: degree in Mechanics and Applied Mathematics from Lomonosov Moscow State University.

2011: degree in State and Municipal Administration from the Russian Presidential Academy of National Economy and Public Administration.

2009: advanced training courses at the Institute of Stock Market and Management.

2011: MBA qualification under the “Master of Business Administration – Strategic Management and Entrepreneurship” programme of Moscow International Higher Business School MIRBIS.

CAREER SUMMARY:

- 11.07.2011 – 11.05.2014: Deputy General Director of REGION Investment Company JSC.
- 21.11.2012 – to date: member of the Board of Directors of REGION Broker Company LLC.
- 12.05.2014 – 14.04.2017: General Director of REGION Investment Company JSC.
- 24.06.2014 – to date: member of the Board of Directors of REGION Investment Company JSC.
- 30.06.2014 – to date: member of the Board of Directors of REGION Asset Management JSC.
- 27.02.2015 – 29.04.2015: Chairman of the Board of Directors of REGION Asset Management JSC.
- 30.04.2015 – to date: member of the Board of Directors of REGION Portfolio Investments LLC.
- 30.04.2015 – to date: member of the Board of Directors of REGION Trust LLC.
- 03.08.2016 – to date: member of the Board of Directors of Far Eastern Bank PJSC.
- 15.08.2016 – to date: Chairman of the Board of Directors of Far Eastern Bank PJSC.
- 01.11.2016 – to date: Chairman of the Board of Directors of Commercial Bank RUSNARBANK JSC.
- 15.04.2017 – 20.12.2017: Advisor at REGION Investment Company JSC.
- 17.04.2017 – to date: Chairman of the Board of Directors of REGION Investment Company JSC.
- 19.06.2017 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 14.12.2017 – to date: member of the Board of Moscow Exchange MICEX-RTS PJSC.
- 21.12.2017 – 31.01.2019: Advisor at ReSM Groups LLC.
- 19.06.2018 – to date: member of the Board of Directors of AO UGORIA Insurance Company.
- 01.08.2018 – 31.01.2019: Advisor (part-time) at REGION Investment Company JSC.

- 09.08.2018 – to date: Chairman of the Board of Directors of AO UGORIA Insurance Company.
- 27.08.2018 – to date: member of the Board of Directors of Investment Bank VESTA LLC.
- 06.09.2018 – to date: member of the Board of Directors of AMC REGION Investments JSC.
- 26.12.2018 – to date: Chairman of the Board of Directors of REGION Trust LLC.
- 01.02.2019 – to date: Advisor at REGION Investment Company JSC.
- 25/03/2019 – to date: member of the Board of Directors of AO UGORIA- LIFE Insurance Company

First elected to the Supervisory Board by the annual General Shareholders' Meeting on 19 June 2017; re-elected by the annual General Shareholders' Meeting on 14 June 2018.

No stake in the Bank's charter capital.

Ilkka Seppo Salonen

Independent Non-Executive Director, member of the Supervisory Board

Member of the Strategy and Capital Markets Committee, Chairman of the Audit and Risk Committee

Born on 24 October 1955 in Espoo (Finland).

1981: Master of Political Science degree (major in Economics) from Helsinki University.

1994: completion of management courses at Kansallis-Osake-Pankki Bank (Finland).

2004: completion of executive education programme at IESE business school.

CAREER SUMMARY:

- 03.09.2003 – to date: member of the Board of Directors of Corims Oy (Finland).
- 21.04.2010 – to date: Chairman of the Board of Directors of Garmoshka Oy (Finland).
- 24.04.2010 – to date: member of the Board of Directors of Sysmän Kirjakylä Oy (Finland).
- 21.06.2010 – to date: member of the Advisory Board of investment and finance company Essedel (Russia).
- 25.06.2010 – 27.06.2014: member of the Board of Directors of KAMAZ OJSC (Russia).
- 18.04.2011 – 11.03.2015: Chairman of the Board of Trustees of the Fund of Small Business Credit Assistance of Moscow.
- 28.06.2012 – 17.04.2015: member of the Supervisory Board of URALSIB BANK JSC (Russia).
- 18.09.2012 – 17.04.2015: Chairman of the Management Board of URALSIB BANK JSC.
- 22.11.2012 – 29.04.2015: member of the Board of Directors of Leasing Company URALSIB LLC (Russia).
- 29.04.2013 – 24.04.2014: member of the Board of Directors of URALSIB Capital – Financial Services LLC (Russia).
- 22.04.2014 – 29.04.2015: Chairman of the Board of Directors of Leasing Company URALSIB LLC (Russia).
- 21.07.2014 – 17.04.2015: member of the Board of Directors of Victoria Children Foundation (Russia).
- 23.07.2014 – 17.04.2015: member of the Board of Directors of Private Pension Fund URALSIB CJSC (Russia).
- 19.05.2015 – to date: partner at Septem Partners Oy (Finland).

- 01.06.2015 – to date: alternate member of the Board of Directors of Fennovoima Oy (Finland).
- 07.11.2016 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 16.01.2017 – 17.04.2017: Acting General Director of East Office of Finnish Industries (Finland).
- 18.04.2017 – to date: General Director of East Office of Finnish Industries (Finland).
- 01.01.2018 – to date: member of the Board of Directors of Lappeenranta University of Technology (Finland).

First elected to the Supervisory Board by the extraordinary General Shareholders' Meeting on 07 November 2016; re-elected by the annual General Shareholders' Meeting on 14 June 2018.

No stake in the Bank's charter capital.

Alexey A. Stepanenko[15]

Executive Director, member of the Supervisory Board, Deputy Chairman of the Management Board

Born on 06 November 1981 in Nevinnomyssk (Russia).

2004: degree in Finance and Credit from the Financial University under the Government of the Russian Federation.

2003: broker / dealer firm executive / comptroller / specialist qualification from the Federal Commission for the Securities Market.

CAREER SUMMARY:

- 04.03.2013 – 01.08.2014: Vice President of MCB Capital LLC.
- 27.03.2014 – 27.02.2015: Chairman of the Board of Directors of MCB Capital LLC.
- 01.08.2014 - to date: First Vice President of MCB Capital LLC.
- 06.08.2014 – to date: member of the Board of Directors of Ingrad JSC.
- 21.11.2014 – 28.06.2016: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 16.11.2015 – 13.04.2016: member of the Board of Directors of NCO INKAKHRAN (JSC).
- 31.05.2016 – to date: Chairman of the Board of Directors of PPF Soglasie JSC.
- 29.06.2016 – 17.01.2018: Chairman of the Board of Directors of ROSSIUM Concern LLC.
- 30.06.2016 – 06.12.2018: member of the Board of Directors of PPF Soglasie-OPS JSC.
- 06.08.2016 – to date: member of the Board of Directors of SKS Bank, LLC.
- 11.11.2016 – 03.04.2019: member of the Management Board and Deputy Chairman of the Management Board of CREDIT BANK OF MOSCOW.
- 10.02.2017 – to date: member of the Board of Directors of INGRAD PJSC.
- 15.11.2017 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 17.01.2018 – to date: member of the Board of Directors of ROSSIUM Concern LLC.
- 11.03.2019 – to date: member of the Board of Directors of United Wagon Company.

First elected to the Supervisory Board by the extraordinary General Shareholders' Meeting on 21 November 2014; re-elected by the annual General Shareholders' Meeting on 14 June 2018.

[15] Appointment terminated on 03.04.2019 (last day in office)

Stake in the Bank’s charter capital as at the end of the reporting year: 0.00252%.

Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00252%.

Shares of the Bank acquired or disposed of in the reporting year:

- transaction date: 09.04.2018
- transaction type: acquisition
- category (type) of shares: ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31
- number of shares: 532,800 (total number of shares held: 682,500 units).

Vladimir A. Chubar

Executive Director, member of the Supervisory Board, Chairman of the Management Board

Member of the Strategy and Capital Markets Committee

Born on 18 July 1980 in Bezhetsk, Tver Region (Russia).

2005: degree in Finance and Credit from the Finance Academy under the Government of the Russian Federation.

2007: course *Budgeting and Financial Planning in Commercial Banks* at the Association of Russian Banks' Institute of Banking Business.

CAREER SUMMARY:

- 21.05.2008 – to date: member of the Management Board of CREDIT BANK OF MOSCOW.
- 20.10.2010 – to date: member of the Supervisory Board of CREDIT BANK OF MOSCOW.
- 01.02.2012 – to date: Chairman of the Management Board of CREDIT BANK OF MOSCOW.
- 23.09.2015 – to date: member of the Board of Directors of ROSSIUM Concern LLC.
- 06.08.2016 – to date: member of the Board of Directors of SKS Bank, LLC.
- 08.08.2016 – to date: Chairman of the Board of Directors of SKS Bank, LLC.
- 15.02.2018 - to date: member of the Board of Directors of NCO INKAKHRAN (JSC).
- 11.04.2018 - to date: Chairman of the Board of Directors of NCO INKAKHRAN (JSC).

First elected to the Supervisory Board by resolution of the sole shareholder on 20 October 2010; re-elected by the annual General Shareholders' Meeting on 14 June 2018.

Stake in the Bank’s charter capital as at the end of the reporting year: 0.014557%.

Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.014557%.

Shares of the Bank acquired or disposed of in the reporting year:

- transaction date: 09.04.2018
- transaction type: acquisition
- category (type) of shares: ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31
- number of shares: 1,112,300 (total number of shares held: 3,945,400).

Corporate Secretary

The Corporate Secretary is an officer independent from the Bank’s executive bodies and reports to its Supervisory Board.

The Corporate Secretary's main functions include:

- arranging preparation and holding of the Bank’s General Shareholders Meetings,
- ensuring operation of the Supervisory Board and its committees,
- assisting in implementation of the disclosure policy and keeping the Bank’s corporate documents,
- managing the Bank’s relationships with its shareholders and contributing to the prevention of corporate conflicts;
- ensuring the Bank’s interactions with regulators, trading facilities, the registrar and other professional stock market participants,
- ensuring and checking the fulfilment of statutory and internal procedures intended to give effect to shareholders’ rights and lawful interests,
- informing the Supervisory Board immediately of any identified violations of laws or the Bank’s bylaws,
- contributing to improvement of the Bank’s corporate governance.

Since December 2014 Svetlana S. Sukhareva is the Corporate Secretary of the Supervisory Board and its committees.

Born on 29 November 1984 in Moscow, Russia.

degree in Finance and Credit from the Plekhanov Russian University of Economics, 2013:

degree in Translation and Translation Studies from the Russian State University for the Humanities.

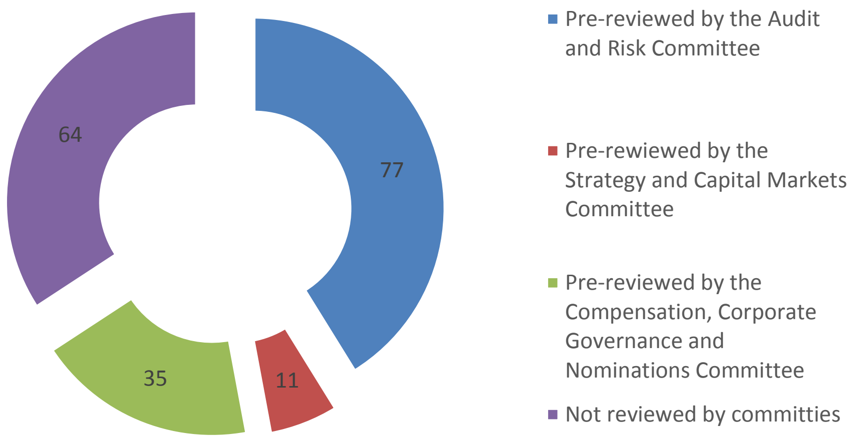
specialised course *Corporate Secretary* at the Russian Institute of Directors, and qualification upgrade course *Corporate Secretary* in 2017. Svetlana Sukhareva started her career in 2007 at VTB Bank’s FI Department. In 2014, she joined CREDIT BANK OF MOSCOW’s Corporate Secretariat, and, in December 2014, was appointed the Bank’s Corporate Secretary by resolution of its Supervisory Board.

No stake in the Bank’s charter capital.

4.7. Supervisory Board committees

The Supervisory Board committees were created to undertake a preliminary study of the most important matters reserved to the competence of the Supervisory Board and to provide relevant recommendations. They serve as a venue for the open exchange of opinions and an in-depth study of the matters being considered.

Number of Supervisory Board issues pre-reviewed by its committees



4.8. Changes in the Supervisory Board committees in 2018

	Audit and Risk Committee		**Compensation, Corporate Governance and Nominations Committee**		**Strategy and Capital Markets Committee**	
	Elected on 16 November 2017	**Elected on 15 June 2018**	**Elected on 16 November 2017**	**Elected on 15 June 2018**	**Elected on 16 November 2017**	**Elected on 15 June 2018**
William Forrester Owens (Independent Director)			+ (Chairman)	+ (Chairman)	+	+
Andrew Sergio Gazitua (Independent Director)			+	+	+ (Chairman)	+ (Chairman)
Roman I. Avdeev (Non-Executive Director)					+	+
Thomas Günther Grasse (Non-Executive Director)	+	+			+	+
Vladimir A. Chubar (Executive Director)					+	+
Andreas Klingen (Independent Director)	+	+			+	+
Ilkka Seppo Salonen (Independent Director)	+ (Chairman)	+ (Chairman)			+	+
Sergey Yu. Menzhinsky (Non-Executive Director)					+	+
Lord Daresbury (Peter) (Independent Director)			+	+	-	+

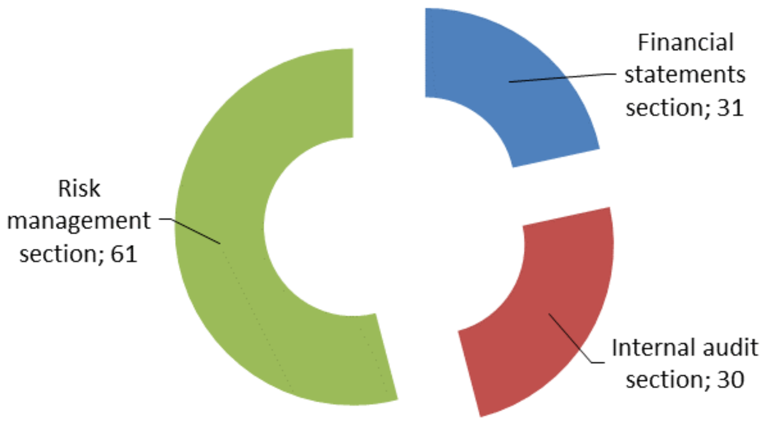
The Committees consist mainly of Supervisory Board members who do not serve in the Bank's executive bodies. According to Moscow Exchange's requirements for the first level quotation list which includes the Bank's securities, most members of the Audit and Risk

Committee and all members of the Compensation, Corporate Governance and Nominations Committee are independent directors.

4.9. The Audit and Risk Committee advises the Supervisory Board on the issues within its competence, controls reliability and efficiency of the Bank's risk management and internal control system, controls measures taken to ensure the Bank's financial (accounting) statements are complete, accurate and true, ensures implantation and promotion of risk management culture in the Bank, ensures independency and fairness of internal and external audit functions and controls performance of the system alerting of potential malfeasance by the staff or by third parties.

The full list of the Committee's functions and competences is given in the Regulation on the Audit and Risk Committee (https://mkb.ru/investor/emitent-news/regulations?doc=e2453205-cfc5-4e40-bc0b-497f8e7c72b2).

Issues addressed by the Audit and Risk Committee in 2018



Audit and Risk Committee's report

In 2018, the main target of the Audit and Risk Committee (ARC, the Committee) was to continue to further improve the level of good corporate governance built during the preceding years and ensure that the control processes at the Bank are of such quality that they correspond to the best practices of the industry. Ensuring full compliance with regulatory requirements for Systemically Important Financial Institutions were a preeminent goal of the Committee.

The ARC comprises of three members, each being a non-executive member of the Supervisory Board (SB). The ARC members were Thomas Grasse, Andreas Klingen and Ilkka Salonen (Chair). Every ARC member took part in each meeting of the Committee. As in previous years, the ARC meetings held in Moscow were also attended by other independent SB members. The Committee invited relevant members of the Bank's senior management to participate in discussion of the agenda items.

During the year 2018, the ARC convened 10 times, five in the form of physical presence and another five, as conference calls. The ARC also held 13 per capsulam votes during the year.

Each of the in-person ARC meetings considered reports from KPMG and RBS, on their respective findings in auditing the financials of the Bank. In addition to these meetings, the ARC members met from time to time with the IFRS auditor outside the Bank and without the presence of the management.

The ARC studied diligently the independence of the Bank's auditors and found it to be satisfactory.

In September 2017 the ARC proposed to the Supervisory Board of the Bank to start a tender process for the IFRS auditor. The tender process was completed in April 2018 and the ARC took the decision to recommend to the Supervisory Board of the Bank to continue using KPMG as the IFRS auditor. This recommendation was endorsed by the SB and tabled at the Annual General Meeting of the Shareholders, which made the corresponding decision. During the course of the year, the Auditing Partner from KPMG was changed from Alexey Kolosov to Natalia Lukashova.

The ARC closely monitored completion of CBM's migration to comply with the most advanced requirements of the IFRS9 standard. In each of the meetings held in person the committee received a detailed report on progress on the migration process.

The ARC stressed the need to adhere to international best practices in disclosures made in the Bank's financial statements.

In addition to the financial reporting of the Bank the ARC had two more streams in each of its meetings, the Internal Audit Unit's report and the Bank's Risk Management Unit's report. The latter also included reports from Compliance and Internal Control functions.

Along with the recommendations given by PwC after conducting an external review in 2017, the ARC continued in 2018 to support the Head of IAD in his efforts to develop the human resources of the division in terms of both quality and quantity. The ARC endorsed the training programme prepared individually for each member of the IAD team. The number of internal auditors which rose in 2018 from 13 to 19 will continue to grow.

The ARC also recommended to the Head of IAD a new, more informative, format for reporting to the committee. The reports in a renewed format were launched in the July meeting of the ARC.

The IAD conducted a corporate governance appraisal, the results of which were discussed in detail in the July meeting of the ARC.

The growing complexity of the Bank's business activities will impose new requirements on the IAD. The good progress made in 2018 acts as a sound basis for further development in 2019.

Issues pertaining to Risk Management were given high priority in the ARC discussions, credit risk being the main focus point as it constitutes the major risk factor in the Bank's activity. At the same time, the Committee took note of the growing complexity of the Bank's business model, which will impose new requirements on the staff of the relevant risk management structures as well as the IT systems supporting the risk management processes. In this context particular emphasis was placed on integration of the acquired assets of Bank Sovetsky, which operated 28 branches outside Moscow and Moscow Region, the traditional points of the Bank's presence.

The Committee discussed the risk management issues extensively, in particular issues related to the largest corporate borrowers. It also had a close look at the work out procedures regarding loans to individuals and the efficiency of recovery of impaired loans in this category.

During 2018, ICAAP became part of the Bank's everyday routine. Discussion regarding fine tuning of the methodologies continued in each meeting. One of the topics given particular attention was the process of validating the models.

Given the abovementioned increasing complexity, the ARC also increased its attention to operational stability, a focus that will continue into the future.

In Q4 the Bank's IT-system malfunctioned as an aftermath of a database update. The issue was discussed in detail at the ARC and measures to avoid such an incident in the future were defined.

Among other issues discussed at the ARC meetings were improvement in the organisation of the Internal Control Department and Management Accounting Systems, and new Internal Transfer Rate methodology was introduced. The ARC welcomed enhancement of the Bank's Internal Transfer Price system, which also improves the quality of how the contribution of the Bank's various profit centres to its net profit is assessed.

The Bank's Business Continuity Plan and its testing procedures continued to feature in the agenda of the Committee's meetings.

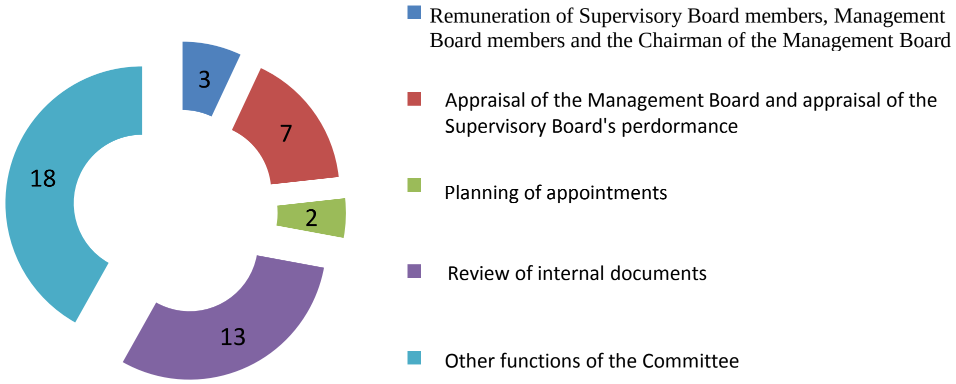
The Committee continues to improve the processes for identifying, evaluating and managing the principal risks faced by the Bank and rates the achieved results highly. It is clear that progress will not stop here and work on development will continue.

The Committee conducted an annual self-assessment, enlisting the services of an outside consultant in conjunction with the self-assessment performed by the Supervisory Board. The results demonstrate that the Committee is carrying out its responsibilities as laid out in its charter.

4.10. The Compensation, Corporate Governance and Nominations Committee formulates the Bank's remuneration policy, principles and criteria for Supervisory Board members, Management Board members and the Chairman of the Management Board, preliminarily appraises the Management Board and the Chairman of the Management Board and annually conducts a self-appraisal, puts forward proposals to the Supervisory Board as to terms of contracts with Management Board members (including early termination provisions), advises the Board of Directors on setting the principles governing remuneration and bonus payments for the Corporate Secretary, communicates with shareholders to prepare recommendations for them as to voting on the election of Supervisory Board members, plans appointments and advises on building a good corporate governance system.

The full list of the Committee's functions and competences is given in the Regulation on the Compensation, Corporate Governance and Nominations Committee, available on the Bank's website. (https://mkb.ru/investor/emitent-news/regulations?doc=9a485853-46fa-4799-8c84-a1730efda5b7)

Issues addressed by the Compensation, Corporate Governance and Nominations Committee in 2018



Compensation, Corporate Governance and Nominations Committee's report

The Compensation, Corporate Governance and Nominations Committee was established to advise the Supervisory Board on matters of corporate governance system development, appointment and succession of the Bank's management, giving recommendations to the Bank's shareholders as to nominations to the Supervisory Board and remuneration of Supervisory Board members, advising the Supervisory Board on determining the remuneration policy for and approving the actual remuneration to Management Board members and ensuring compliance with all the appropriate regulations within the committee's purview.

All Committee members are independent directors, as required by Moscow Exchange for admitting securities to its first level quotation list.

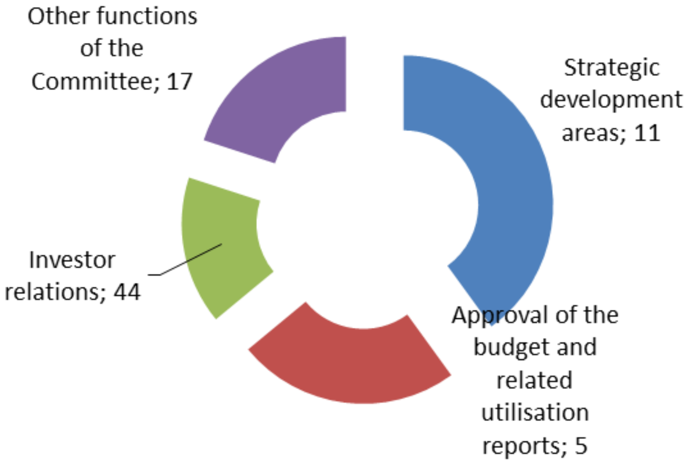
9 Committee meetings were held in 2018, 4 of which were in person. The Committee reviewed 43 items covering its following functions: revision of the Management Board remuneration policy and supervision of its implementation, development of criteria and a system for performance appraisal of executive bodies, conducting such appraisal and reporting its results to the Supervisory Board, preliminary annual performance appraisal of the Corporate Secretary and preparing proposals for the Supervisory Board as to bonuses for the Corporate Secretary, annual detailed formalised self-appraisal of the Supervisory Board and its committees, review of proposals on how to improve Supervisory Board work upon this appraisal, review of proposals and choosing a company for an independent appraisal of the Supervisory Board, proposing ways to improve Supervisory Board performance and advising the Supervisory Board on payment of remuneration and bonuses for its members, review and appraisal of the list of Supervisory Board nominees for election at the annual General Shareholders' Meeting, evaluating, promoting and improving corporate governance within the Bank and advising on building a good corporate governance system, developing and approving plans intended to improve the Bank's corporate governance system, including development of the corporate governance practice improvement plan based on the Internal Audit Department's recommendations, revising the list of reports deliverable for Supervisory Board meetings, review of the new D&O policy, and a review of new versions of the Bank's bylaws.

4.11. The Strategy and Capital Markets Committee analyses the Bank's strategic management issues and ensures functioning of the strategic management cycle, formulation of the Bank's dividend policy and evaluates the effectiveness of the Bank's long-term performance. The Committee also focuses on preparing recommendations for the Supervisory Board regarding fund raising from international capital markets, optimising the internal processes related to the Bank's capital market activities and building a model of internal cooperation in connection with funding.

In addition to the above tasks, the Committee is involved in the budget process, reviews information at the stage of budget preparation, and performs a preliminary review of the Bank's financial model.

The full list of the Committee's competences is given in the Regulation on the Strategy and Capital Markets Committee, available on the Bank's website. (https://mkb.ru/investor/emitent-news/regulations?doc=4af37e23-c4d6-4753-a263-0ce99649c1ce)

Issues addressed by the Strategy and Capital Markets Committee in 2018



Report of the Strategy and Capital Markets Committee

Following recent years of prodigious growth and active capital market activities to support such growth, culminating in Credit Bank of Moscow's achievement of top 10 status among Russian banks, 2018 was a year where the Bank focused on strengthening its operational base and reviewing and broadening its strategic vision within the context of a more cautious projected economic environment. The Strategy and Capital Markets Committee (SCMC) spent the year working with management to take stock of the bank's market positioning and to consider areas for the bank to broaden its operational capabilities and market reach.

As a leading bank in the market, Credit Bank of Moscow prides itself on its ability to offer its core clients products, solutions and services which can compete intelligently with the leading banks in the market. This perspective has prompted the bank to bolster the Management Board with the addition of six new members over 2017-2019, who have all brought significant insight and experience from their previous positions, enabling Credit Bank of Moscow to enhance its universal banking model.

An important signal of the evolution of the model was the acquisition of the infrastructure and deposits of Sovetsky Bank (deposits in liabilities and cash from the DIA in assets) in early 2018. This represented the first acquisition made by Credit Bank of Moscow of a banking franchise outside the Moscow region, its traditionally core market. Though not large, this acquisition is an important step for the bank as it broadens its services, products and capabilities outside its core market and allows for management to broaden its managerial capabilities and to address challenges presented by new geographical markets and client base. The SCMC continues to monitor the progress of this important step.

As Corporate Banking accounts for 87% of the bank's loan portfolio, the SCMC and management placed special emphasis on the bank's offering and approaches to this segment. Throughout the year, the SCMC worked with management on reviewing numerous strategies and innovations for our Corporate Banking and SME segments, as the bank continues to introduce new approaches and services for these segments. An example of this evolution was the entry of Credit Bank of Moscow into the fee-based business of investment banking and capital markets in late 2017. Last year, this division developed into a fully-functioning department, working alongside UK-based Sova Capital, to offer clients capital market solutions in Russian and foreign markets, expanding the bank's product offering beyond its traditional commercial banking products and services. In 2018, this team has established its presence with the arrangement of 24 debt issues with an aggregate nominal value of RUB 200.0 bln, ranking Credit Bank of Moscow among the top five sales arrangers in Russia and earning it the “Breakthough of the Year” award at the 2018 Cbonds Awards.

The evolution of the Treasury Department has been an important contributor to the growth of Credit Bank of Moscow. The department oversees the internal allocation of funding which is instrumental for the bank’s various products and divisions, allowing for more transparency in performance of business segments and pricing of products. This capability gives management and the SCMC an important tool for monitoring and developing new strategies and initiatives across the bank.

As part of the overall evolution of Credit Bank of Moscow, the SCMC takes special consideration of the bank’s key subsidiaries. Last year, the new management of Inkakhran, the armour truck service wholly-owned by the bank, presented its strategy and projections for the company, which are both value enhancing and synergistic for Credit Bank of Moscow. The SCMC also supported the new approach for development of SKS Bank, transforming the subsidiary into a fee-driven institution, offering the bank’s and third-party financial products through third-party networks and agents. Throughout the year, the SCMC reviewed and approved a number of smaller asset and share disposals and strategic initiatives, whose goal was to streamline the bank’s operations and/or strengthen its distribution networks.

A core focus of the SCMC has been the evolution of Credit Bank of Moscow’s Information Technology (“IT”) and digitalisation platform and services. Last year, the SCMC requested several reviews on the overall position and functionality of the bank’s IT platform and a review of the bank’s digital vision and model for the future. This focus took on greater resolve, in part, after an unexpected incident caused a temporary outage in September of a specific protocol in the bank’s online offering. This incident led, in part, to the decision to strengthen the IT leadership of the Bank by recruiting a new Management Board member position responsible solely for the firm’s Information Technology division and strategy. The SCMC is very supportive of the new IT management and is working closely with the team to further refine the vision and strategy for 2019 and beyond.

As in past years, the SCMC oversees the development and monitoring of Credit Bank of Moscow’s financial targets over the year. As foreseen at the beginning of the year, the corporate market proved to be more challenging than in the recent past, which was reflected by modest budgeted growth targets. This concerning forecast was confirmed by the drop in the Bank’s corporate lending levels by the end of the year, reflecting the management’s focus on upholding the parameters around risk management and underlying profitability. Credit Bank of Moscow’s retail business showed good growth and exceeded its target for the year. The bank also demonstrated strong funding growth by attracting corporate and retail deposits, so continuing to diversify its funding base and reducing its risk of exposure to any one specific area of funding. Overall, the bank enjoyed a good performance in 2018, in large part due to much lower loan provisioning levels as a result the management’s efforts over the past few years to enhance the quality of the portfolio. Throughout the year, the SCMC reviewed the bank’s quarterly performance and monitored key ratios highlighting the bank’s capital and liquidity positions, as well as its asset quality and profitability measures.

With lower asset growth in 2018 and the management’s focusing on operational enhancements, Credit Bank of Moscow began the year with the expectation of relatively little need to access the capital markets. During the course of the first half of the year, feedback from foreign investors in the bank’s foreign denominated debt expressed continued support for the Bank and its strategy but concerns around Russia and the sanctions in general. This led to the decision during the summer to accommodate investor requests and to organise two tender processes which eventually led to the tendering in June of USD 56 mln of Senior Eurobond issues and the tendering in August of USD 50 mln of Subordinated Eurobond issues. These activities allowed for a small improvement of the bank’s capital ratios and enhanced the bank’s reputation among its debt investors. In terms of issuances, the bank issued RUB 5 bln perpetual subordinate Tier 1 domestic bond issue and in February issued a Senior Unsecured USD 500 mln 5-year Eurobond. Senior management and our Investor Relations team continue to meet regularly with domestic and international investors and are actively engaging with investors and underwriters to monitor issuance interest in traditional and new markets, such as Asia.

In 2018, Credit Bank of Moscow continued to build on the successes it has demonstrated over the past 10 years. Over the course of the year, the Bank made decisions on several key initiatives which will allow it to grow profitably across several segments without compromising its risk parameters. The overall economic environment remains uncertain but the Bank has identified attractive segments for growth in 2019 and beyond and will continue to monitor the market for attractive opportunities as they become evident. The SCMC and the management are closely aligned and understand that a disciplined but flexible approach is essential to succeed in the Russian market.

4.12. Liability Insurance

To provide liability protection for the Supervisory Board members and officers of the Bank, since 2013, the Bank has taken out liability insurance for the Directors and officers. The Bank chooses an insurance company through tender procedures. Terms of insurance were reviewed at the Compensation, Corporate Governance and Nominations Committee meeting.

4.13. Performance appraisal of the Supervisory Board and its committees

Following best practice in corporate governance, the Supervisory Board of the Bank annually evaluates its performance, as well as the performance of the Supervisory Board Committees and the Corporate Secretary. In 2018, according to the Supervisory Board’s resolution, the evaluation was conducted from 1 November 2018 to 12 February 2019. Stanton Chase, an international executive search firm selected in a bidding procedure, facilitated the evaluation process as an external consultant.

The Remuneration, Corporate Governance and Nominations Committee supervised the evaluation process. The goal set by the Committee was to obtain an objective view on the compliance of the Supervisory Board, the Committees and the Corporate Secretary with best practice in corporate governance, including the Corporate Governance Code recommendations.

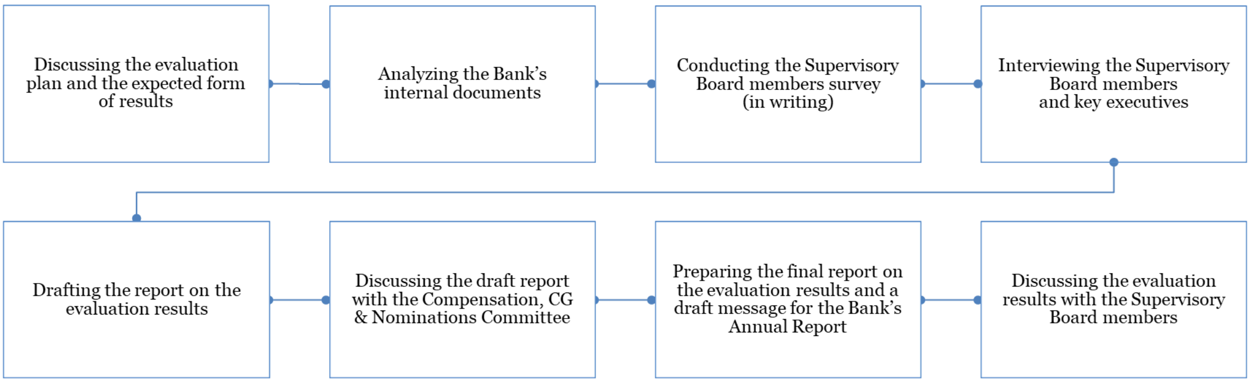
The following steps were taken to achieve the goal:

- Evaluating how effectively the Supervisory Board and the Committees performed their functions;
- Evaluating the composition of the Supervisory Board and the Committees in terms of the Bank’s current and future business needs;
- Identifying strengths of the Supervisory Board, the Committees and the Corporate Secretary, as well as areas in which their performance might be improved;
- Identifying priority matters for the Supervisory Board and the Committees;
- Formulating recommendations aimed at improving the work of the Supervisory Board, the Committees and the Corporate Secretary, as well as at further elevating the quality of corporate governance at the Bank.

The methodology proposed by the external consultant included evaluation of the performance of:

- the Supervisory Board;
- the Committees;
- the Supervisory Board members, including the Chairman;
- the Corporate Secretary.

The selected evaluation methods were analysis of internal documents, a written survey, an individual structured interview, and a benchmarking analysis of the work of the Supervisory Board and the Committees against their peers at other public companies.
The evaluation process comprised the following steps.



A total of 17 people were involved in the evaluation process, all members of the Supervisory Board and key executives having sufficient experience of interacting with the Supervisory Board and the Committees.

According to the evaluation results, the Supervisory Board discharges its duties effectively. Its role within the Bank's governance framework has further strengthened due to the active work of the independent directors and the smooth functioning of the Committees.

The work of the Supervisory Board Chairman and the Corporate Secretary, as well as the approach to organising and holding meetings, are highly rated. The Supervisory Board's relationship with the Bank's management team takes the form of a constructive dialogue. Matters in the area of investor and shareholder relations are considered regularly and with due attention.

Areas for improvement include strategic planning and the business performance oversight. As a consequence, the priority matters for the Supervisory Board and the Committees in 2019 include revisiting the Bank's development strategy, developing succession planning and undertaking a number of other important initiatives in HR, and strengthening further the Bank's risk management system.

In addition, the individual assessment of the Supervisory Board members conducted for the first time has provided several important topics to be included in the Supervisory Board training program.

4.14. Supervisory Board members remuneration system

The amount and procedures for payment of remuneration to Supervisory Board members are determined in accordance with the Regulation on Remuneration and Compensation Payable to the Bank's Supervisory Board Members (the "Regulation on Remuneration and Compensation"), approved by the annual General Shareholders' Meeting on 14 June 2015.

The Regulation on Remuneration and Compensation provides for remuneration to certain Supervisory Board members and reimbursement of justified expenses, incurred in the performance of their duties.

Remuneration for serving as Supervisory Board members is paid to:

– Supervisory Board members qualifying as independent directors under criteria set forth in the Bank's Charter and the Corporate Governance Code;

– Supervisory Board members who are not employed by, or serve on the management bodies of, any legal entities forming part of the Bank's group of persons.

The annual remuneration consists of basic remuneration and remuneration for extra duties.

The annual remuneration is calculated as follows:

Basic remuneration	
Annual basic remuneration of a Supervisory Board member	100,000 (one hundred thousand) US dollars
Extra remuneration	
Chairman of the Supervisory Board	170,000 (one hundred seventy thousand) US dollars
Member of a Supervisory Board committee	15,000 (fifteen thousand) US dollars for each committee
Chairman of a Supervisory Board committee	25,000 (twenty five thousand) US dollars for each committee
Chief Independent Non-Executive Director	100,000 (one hundred thousand) US dollars

The aggregate annual remuneration to be paid to a Supervisory Board member may not exceed 325 000 (three hundred and twenty five thousand) US dollars.

Any Supervisory Board member's remuneration for any past quarter may be reduced by:

– 10%, if he or she missed up to 25% of Supervisory Board meetings and absentee votings in that quarter;

– 30%, if he or she missed more than 25% and up to 50% of Supervisory Board meetings and absentee voting sessions in that quarter;

– 50%, if he or she missed more than 50% and up to 75% of Supervisory Board meetings and absentee voting sessions in that quarter;

– 75%, if he or she missed more than 75% of Supervisory Board meetings and absentee voting sessions in that quarter.

The total amount of the Supervisory Board members' remunerations for 2018 was RUB 90,408,000.

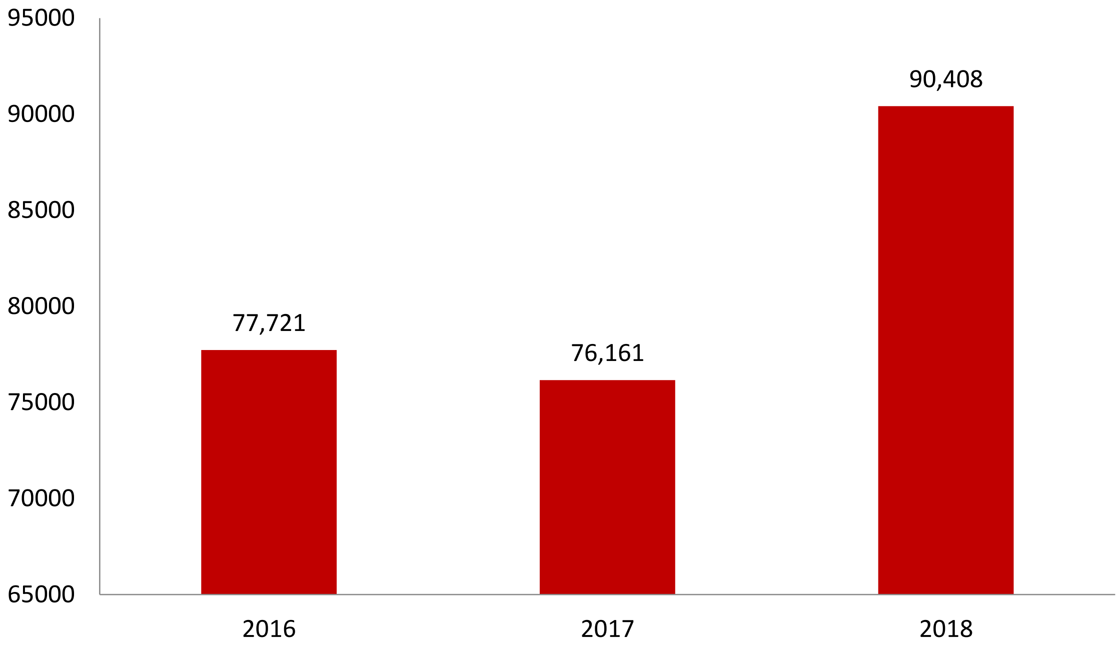
Supervisory Board members are reimbursed for actual, properly documented expenses related to their attendance at Supervisory Board meetings. Remuneration and compensation are paid by the Bank on a quarterly basis within one month after the end of each calendar quarter.

Remuneration of the Supervisory Board members

Director	Supervisory Board committee membership and chairmanship	USD, 2018
Executive Directors		
Vladimir A. Chubar	Member of the Strategy and Capital Markets Committee	-
Alexey A. Stepanenko	-	-
Non-Executive Directors		
Roman I. Avdeev	Member of the Strategy and Capital Markets Committee	-
Thomas Günther Grasse	Member of the Audit and Risk Committee	166,169.54

	Member of the Strategy and Capital Markets Committee	
Sergey Yu. Menzhinsky	Member of the Strategy and Capital Markets Committee	-
Independent Directors		
William Forrester Owens	Chairman of the Supervisory Board Chairman of the Compensation, Corporate Governance and Nominations Committee Member of the Strategy and Capital Markets Committee	410,282.57
Andrew Sergio Gazitua	Senior Independent Non-Executive Director Member of the Compensation, Corporate Governance and Nominations Committee Chairman of the Strategy and Capital Markets Committee	323,312.41
Andreas Klingen	Member of the Audit and Risk Committee Member of the Strategy and Capital Markets Committee	166,169.54
Ilkka Seppo Salonen	Chairman of the Audit and Risk Committee Member of the Strategy and Capital Markets Committee	180,455.27
Lord Daresbury (Peter)	Member of the Compensation, Corporate Governance and Nominations Committee Member of the Strategy and Capital Markets Committee since 15.06.2018	159,654.63
TOTAL		USD 1,406,043.96 (RUB 90,408,000)

Supervisory Board members' remunerations in 2016-2018 (RUB thousand)



5. *Chairman of the Management Board and the Management Board*

The Management Board is the Bank's collective executive body responsible for the overall direction of its current activities. The Management Board is headed by the Chairman of the Management Board who is the Bank's sole executive body.

The competence of the Management Board and the Chairman of the Management Board are set out in the Bank's Charter and the Regulation on the Management Board and the Chairman of the Management Board of CREDIT BANK OF MOSCOW.

The full list of competences of the Management Board and the Chairman of the Management Board is given in the Regulation on the Management Board and the Chairman of the Management Board, available on the Bank's website: https://mkb.ru/news/emitent_news/regulations/.

Key responsibilities of the Management Board include: ensuring the implementation of any resolutions of the General Shareholders' Meeting and the Supervisory Board and any recommendations of the Audit Panel; forming committees for any activities of the Bank and delegating to these committees some of the powers of the Management Board under respective committee regulations in accordance with approved regulations; determining the Bank's organisational structure and total headcount, and reviewing the staffing of the Bank.

The Chairman of the Management Board directs Management Board proceedings, represents the Bank and undertakes transactions without a power of attorney, disposes of the Bank's property, organises the accounting and reporting at the Bank, and decides other matters arising in the Bank's day-to-day activities.

The Management Board is elected by the Supervisory Board indefinitely as recommended by the Chairman of the Management Board. The Management Board and Chairman of the Management Board report to the Supervisory Board.

The following changes in the Management Board took place in 2018: the appointment of Yury A. Ubeev and Andrey A. Kryukov was terminated on 12.01.2018, Dmitry A. Eremin on 15.02.2018; Pavel B. Shevchuk and Mikhail V. Polunin (First Deputy Chairmen of the

Management Board) joined the Management Board on 23.03.2018, Kamil R. Yusupov (Deputy Chairman of the Management Board) on 17.08.2018.

Thus, as of 31 December 2018, the Management Board consisted of eleven top managers.

Furthermore, in early 2019, the Management Board was changed as follows: Sergey E. Putyatinsky joined the Management Board on 10.01.2019, and the appointment of Alexey A. Stepanenko was terminated on 03.04.2019.

Members of the Management Board

Vladimir Alexandrovich Chubar – Chairman of the Management Board, member of the Supervisory Board.

More information is given in the Supervisory Board section.

Alexey Vladimirovich Kosyakov – Deputy Chairman of the Management Board

1. Date and place of birth: 12 August 1983, Vidnoe, Moscow Region.

2. Education:

2006: degree in Electronic and Automation Engineering of Physical Installations from the Moscow Engineering and Physics Institute.

2009: degree in Finance and Credit from Plekhanov Russian Academy of Economics.

3. Career summary:[16]:

Swedbank OJSC

- 28.02.2008 – 18.05.2010: Senior Manager of Consumer and Car Lending Unit of Retail Business Division.

JSCB Bank of Moscow

- 21.06.2010 – 07.04.2011: Chief Manager of Retail Credit Products Development Unit of Retail Credit Products and Technologies Development Division.

CREDIT BANK OF MOSCOW

- 12.04.2011 – 31.07.2011: Head of Consumer Lending Division of Retail Business Directorate's Retail Lending Department.
- 01.08.2011 – 31.01.2012: Director of Retail Lending Department of Retail Business Directorate.
- 01.02.2012 – 14.10.2013: Director of Retail Business Directorate.
- 15.10.2013 – to date: Deputy Chairman of the Management Board.
- 15.10.2013 – to date: member of the Management Board.

4. Stake in the Bank's charter capital as at the end of the reporting year: 0.00157%

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00157%.

6. Shares of the Bank acquired or disposed of in the reporting year:

- *transaction date:* 09.04.2018.

- *transaction type:* acquisition.

- *category (type) of shares:* ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31.

- *number of shares:* 269,400 (total number of shares held: 426,100).

[16] Employments in at least five years prior to the appointment (election) in the Bank.

<u>Svetlana Vladimirovna Sass – Chief Accountant</u>

1. Date and place of birth: 1 April 1965, Moscow.

2. Education:

1987: degree in Organisation of Mechanised Processing of Economic Data from the Moscow State University of Economics, Statistics and Informatics.

1993: training course at the International Centre for Training of Managers.

1994: training course at Joint-Stock Company Corporate Certification Centre Consultbankir.

1999: training course at the Institute of Professional Accountants of Russia of the Ministry of Finance of the Russian Federation.

2007: training course at the International Financial Banking School, Moscow.

training course *A Bank: Accounting, Taxes and Reporting* at the Private Educational Institution – the Institute of Advanced Training and Training of Financial Specialists.

2013: training course *Accounting and Tax Accounting in Commercial Organisations, Non-commercial Organisations and Budget Institutions. Complex Issues in IFRS Reporting*: *Calculation of Deferred Tax according to IAS 12* at the Institute for Development of Modern Educational Technologies (IRSOT).

3. Career summary:

CB Holding-Credit LLC

- 06.10.2000 – 06.08.2006: CFO – Chief Accountant.
- 07.08.2006 – 21.04.2008: CFO.

CREDIT BANK OF MOSCOW

- 24.04.2008 – 24.06.2008: Advisor to the Chairman of the Management Board – President.
- 25.06.2008 – to date: Chief Accountant.
- 05.11.2008 – to date: member of the Management Board.

NCO INKAKHRAN (JSC)

- 13.04.2016 – to date: member of the Board of Directors.

4. Stake in the Bank's charter capital as at the end of the reporting year: 0.00062%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00062%.

6. Shares of the Bank acquired or disposed of in the reporting year:

- *transaction date:* 09.04.2018;

- *transaction type:* acquisition;

- *category (type) of shares:* ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31.

- *number of shares:* 138,800 (total number of shares held: 167,500).

<u>Anton Olegovich Virichev – Head of Risk Management Directorate</u>

1. Date and place of birth: 11 April 1978, Moscow.

2. Education:

1999: degree in Finance and Credit from the Financial University under the Government of the Russian Federation.

3. Career summary:

CREDIT BANK OF MOSCOW

- 02.02.2009 – 31.03.2009: Head of the Risk Analysis Unit of Risk Management Division.

- 01.04.2009 – 05.08.2010: Head of the Risk Management Division.
- 06.08.2010 – 31.03.2011: Head of the Risk Management Department.

Sberbank of Russia OJSC

- 16.06.2011– 25.06.2012: Manager of Food Industry and Trade Unit of Largest Customers Department's Customer Managers Division.

NOTA-Bank (JSC)

- 09.07.2012 – 16.01.2015: Head of the Business Development Department.

CREDIT BANK OF MOSCOW

- 19.01.2015 – to date: Head of the Risk Management Directorate.
- 24.02.2016 – to date: member of the Management Board.

SKS Bank, LLC

- 16.09.2016 – to date: member Board of Directors.

4. Stake in the Bank’s charter capital as at the end of the reporting year: 0.00172%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00172%.

6. Shares of the Bank acquired or disposed of in the reporting year:

- *transaction date:* 09.04.2018.

- *transaction type:* acquisition.

- *category (type) of shares:* ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31.

- *number of shares:* 396,400 (total number of shares held: 467,100).

<u>Elena Vladimirovna Shved – Head of the Financial Department</u>

1. Date and place of birth: 20 November 1987, Bolshevo-1, Moscow Region, Russia.

2. Education:

2008: Bachelor's degree in Applied Mathematics and Physics; 2010: Master's degree in Applied Mathematics and Physics from the Moscow Institute of Physics and Technology (State University).

3. Career summary:

Commercial bank Alta-Bank (closed joint-stock company)

- 01.02.2011 – 01.04.2011: Senior Manager of the Market and Structural Risks Appraisal and Analysis Unit of the Risks Appraisal and Analysis Division.

CREDIT BANK OF MOSCOW

- 04.04.2011 – 31.01.2012: Lead Manager of the Banking Risks Analysis Unit of the Risk Management Department's Financial Risks Division.
- 01.02.2012 – 04.10.2012: Senior Manager of the Financial Markets and Counterparties Analysis Unit of the Analytical Department's Financial Markets Analysis Division.
- 05.10.2012 – 14.02.2013: Head of the Banking and Market Risks Analysis Unit of the Analytical Department's Financial Markets Analysis Division.
- 15.02.2013 – 06.10.2013: Head of the Financial Risk Analysis Division.
- 07.10.2013 – to date: Head of the Financial Department.
- 22.03.2016 – to date: member of the Management Board.

SKS Bank, LLC

- 06.08.2016 – to date: member of the Board of Directors

4. Stake in the Bank’s charter capital as at the end of the reporting year: 0.00191%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00191%.

6. Shares of the Bank acquired or disposed of in the reporting year:

- *transaction date:* 09.04.2018.

- *transaction type:* acquisition.

- *category (type) of shares:* ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31.

- *number of shares:* 438,700 (total number of shares held: 516,800).

Alexey Anatolyevich Stepanenko – Deputy Chairman of the Management Board, member of the Supervisory Board.

More information is given in the Supervisory Board section.

Alexander Nikolaevich Kaznacheev – Deputy Chairman of the Management Board

1. Date and place of birth: 16 December 1974, Volodarsk, Dzerzhinsky district, Nizhny Novgorod region

2. Education:

1996: degree of foreign language-speaking engineer-economist in Economics and Management in Machinery Industry from Moscow Aviation Institute

1999: Ph.D. in Economics from Moscow Aviation Institute.

2013: *MBA – Banking Management* programme at the International Business School of the Financial University under the Government of the Russian Federation.

3. Career summary:

Gazprombank (Joint-stock company)

19.09.2008 – 11.08.2017: First Vice President.

CreditUralBank (Joint-stock company)

03.06.2008 – 04.12.2017: member of the Board of Directors.

GPB – factoring LLC

19.02.2010 – 28.09.2017: member of the Board of Directors.

Gazprombank Leasing AO

27.06.2011– 30.11.2017 : member of the Board of Directors.

GPB's Electronic Trading Facility LLC

29.12.2012 – to date:: member of the Board of Directors.

25.01.2013 – 21.05.2017: Chairman of the Board of Directors.

22.05.2017– to date: Deputy Chairman of the Board of Directors.

CREDIT BANK OF MOSCOW

14.08.2017 – 17.10.2017: Advisor to the Management Board.

18 October 2017 – to date: Deputy Chairman of the Management Board.

18 October 2017 – to date: member of the Management Board.

NCO INKAKHRAN (JSC)

15.02.2018 – to date: member of the Board of Directors.

4. Stake in the Bank's charter capital as at the end of the reporting year: 0.00174%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00174%.

6. Shares of the Bank acquired or disposed of in the reporting year:

- *transaction date:* 09.04.2018.

- *transaction type:* acquisition.

- *category (type) of shares:* ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31.

- *number of shares:* 471,400.

<u>Oleg Alexandrovich Borunov – Deputy Chairman of the Management Board</u>

1. Date and place of birth: 22 November 1979, Murom, Vladimir Region

2. Education:

2002: degree of economist in Finance and Credit from the State University of Management.

3. Career summary:

VTB Bank PJSC (dual employment)

01.12.2011 – 24.09.2015: Head of the Repo Unit of the Fixed Income and FX Trading Division of the Investment Products Department.

25.09.2015 – 10.07.2016: Managing Director of the Repo Unit of the Fixed Income and FX Trading Division of the Investment Products Department.

11.07.2016 – 31.03.2017: Vice President of the Repo Unit of the Fixed Income and FX Trading Division of the Investment Products Department.

JSC VTB Capital

02.06.2012 – 07.06.2015: Head of the Repo Division of the Equities Department.

08.06.2015 – 31.03.2017: Head of the Equities Department.

VTB Capital Broker

09.11.2013 – 19.05.2017: Chairman of the Supervisory Board.

Investment Bank VESTA (LLC)

20.06.2017 – 08.09.2017: Advisor overseeing the bank’s investment business.

CREDIT BANK OF MOSCOW

11.09.2017 – 26.10.2017: Advisor to the Chairman of the Management Board.

27.10.2017 – to date: Deputy Chairman of the Management Board.

27.10.2017 – to date: member of the Management Board.

Sova Capital Limited

21.09.2018 – to date: Independent Director, member of the Supervisory Board.

4. Stake in the Bank’s charter capital as at the end of the reporting year: 0.00174%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00174%.

6. Shares of the Bank acquired or disposed of in the reporting year:

- *transaction date:* 09.04.2018.

- *transaction type:* acquisition.

- *category (type) of shares:* ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31.

- *number of shares:* 471,400.

<u>Mikhail Valerievich Polunin - First Deputy Chairman of the Management Board</u>

1. Date and place of birth: 20 December 1974, Omsk

2. Education:

1996: graduated from Omsk State Technical University, qualification: system engineer specialised in automated information and management systems.

2002: graduated from All-Russian State Distance-Learning Institute of Finance and Economics, qualification: economist specialised in finance and credit

3. Career summary:

Sviaz-Bank JSC

22.03.2012 – 11.08.2014: Director of Saint Petersburg branch.

Russian Regional Development Bank (JSC)

09.09.2014 – 31.05.2015: Advisor.

01.06.2015 – 15.02.2017: Vice President.

State Corporation "Deposit Insurance Agency"

16.02.2017 – 10.08.2017: anti-crisis manager at the Temporary Administrations Support Unit of the FI Restructuring Department.

PERESVET BANK (JSC)

11.08.2017 – 21.02.2018: President.

10.08.2017 – 27.06.2018: member of the Board of Directors.

CREDIT BANK OF MOSCOW

07.11.2017 – 22.03.2018: Advisor to the Management Board.

23.03.2018 – to date: First Deputy Chairman of the Management Board.

NCO Inkakhran (JSC)

15.02.2018 – to date: member of the Board of Directors.

ELECSNET REGIONS JSC

23.01.2019 – to date: member of the Board of Directors.

ELECSNET KAZAN JSC

23.01.2019 – to date: member of the Board of Directors.

NON-BANKING CREDIT ORGANISATION MOSCOW CLEARING CENTRE JSC

24.01.2019 – to date: member of the Board of Directors.

ELECSNET JSC

24.01.2019 – to date: member of the Board of Directors.

4. Stake in the Bank's charter capital as at the end of the reporting year: 0.00080%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00080%.

6. Shares of the Bank acquired or disposed of in the reporting year:

- *transaction date:* 09.04.2018.
- *transaction type:* acquisition.
- *category (type) of shares:* ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31.
- *number of shares:* 215,700.

Pavel Borisovich Shevchuk - First Deputy Chairman of the Management Board

1. Date and place of birth: 12 February 1973, Moscow

2. Education:

1996: graduated from Bauman Moscow State Technical University, qualification: mechanical engineer specialised in multi-purpose track-type and wheeled vehicles.

2012: graduated from Kutafin Moscow State Law Academy, degree in: Law

1998: occupational retraining programme "Finance and Credit" at the Finance and Banking Technologies Institute.

2003: securities management, and investment funds, mutual funds and private pension funds management firm executive / comptroller / specialist qualification upgrade.

3. Career summary:

Sberbank of Russia (Sberbank), Moscow Bank

01.06.2012 – 31.12.2014: Director of Tverskoe Branch.

01.01.2015 – 04.04.2016: CIB Managing Director.

05.04.2016 – 16.05.2016: Managing Director covering large, medium, small and micro-businesses (including defence industry enterprises).

REGION Investment Company JSC

14.11.2016 – 24.04.2017: First Deputy General Director.

CREDIT BANK OF MOSCOW

14.08.2017 – 17.10.2017: Advisor to the Management Board.

23.03.2018 – to date: First Deputy Chairman of the Management Board.

23.03.2018 – to date: member of the Management Board.

NCO Inkakhran (JSC)

15.02.2018 – to date: member of the Board of Directors.

ELECSNET REGIONS JSC

23.01.2019 – to date: member of the Board of Directors.

ELECSNET KAZAN JSC

23.01.2019 – to date: member of the Board of Directors.

NON-BANKING CREDIT ORGANISATION MOSCOW CLEARING CENTRE JSC

24.01.2019 – to date: member of the Board of Directors.

ELECSNET JSC

24.01.2019 – to date: member of the Board of Directors.

Sport Territory LLC

26.09.2017 – to date: General Director.

Alphasport LLC

20.10.2017 – to date: General Director.

4. Stake in the Bank's charter capital as at the end of the reporting year: 0.0002%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.0002%.

6. Shares of the Bank acquired or disposed of in the reporting year:

- *transaction date:* 09.04.2018.
- *transaction type:* acquisition.
- *category (type) of shares:* ordinary uncertificated registered shares, issue state registration number 10101978B, international securities identification number (ISIN) RU000A0JUG31.
- *number of shares:* 53,600.

<u>*Kamil Raifovich Yusupov - Deputy Chairman of the Management Board*</u>

1. Date and place of birth: 11 October 1971, Aktanysh settlement, Aktanyshsky district, Republic of Tatarstan

2. Education:

1994: graduated from Kamsk Polytechnic Institute, qualification: electrical engineer's degree in Automation of Technological Processes and Production

1998: graduated from Kazan State Finance and Economics Institute, qualification: manager's degree in Management

3. Career summary:

VTB Bank OJSC

25.03.2013 – 03.04.2015: Head of Directorate for the Republic of Tatarstan of VTB Bank branch in Nizhny Novgorod.

Tatar Regional Office of All Russia Public Organization BUSINESS RUSSIA

23.01.2015 – to date: Chairman of Tatar regional office.

Avers Bank LLC

16.04.2015 – 23.04.2015: Advisor to the Chairman of the Management Board.

24.04.2015 – 07.05.2018: Chairman of the Management Board.

30.04.2015 – 08.05.2018: member of the Board of Directors.

Tulpar Technic Ltd.

14.04.2016 – to date: member of the Board of Directors.

CREDIT BANK OF MOSCOW

04.06.2018 – 16.08.2018: Advisor to the First Deputy Chairman of the Management Board.

17.08.2018 – to date: Deputy Chairman of the Management Board

Since 11.11.2016: member of the Management Board.

4. Stake in the Bank's charter capital as at the end of the reporting year: non-applicable

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: non-applicable

6. Shares of the Bank acquired or disposed of in the reporting year: non-applicable.

Sergey Evgenyevich Putyatinsky[17] - Deputy Chairman of the Management Board

1. Date and place of birth: 15 July 1982, Saratov

2. Education:

2004: graduated from Saratov State University, qualification: engineer's degree in Computing Devices, Computer Complexes, Systems and Networks

2004: occupational retraining programme *English Interpreter/Translator – Professional Communication* at Saratov State University.

2014: qualification upgrade at the Self-Regulatory Organisation National Securities Market Association, certified as financial market specialist in depository activities on 28.08.2014.

3. Career summary:

National Settlement Depository (NSD)

24.10.2013 – 27.07.2018: CIO.

14.01.2015 – 27.07.2018: member of the Management Board

Russian Capital (joint-stock company)

30.07.2018 – 05.10.2018: CIO.

CREDIT BANK OF MOSCOW

08.10.2018 – 10.01.2019: Advisor to the First Deputy Chairman of the Management Board.

10.01.2019 – to date: Deputy Chairman of the Management Board.

10.01.2019 – to date: member of the Management Board.

Limited Liability Company SAMAS-IT

15.08.2005 – 20.11.2017: General Director.

4. Stake in the Bank's charter capital as at the end of the reporting year: non-applicable

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: non-applicable

6. Shares of the Bank acquired or disposed of in the reporting year: non-applicable.

Dmitry Alexandrovich Eremin[18] - First Deputy Chairman of the Management Board

[17] The date of approval by the Bank of Russia – 27.12.2018. Date of appointment - 10.01.2019.

1. Date and place of birth: 14 December 1978, Moscow

2. Education:

2001: degree in Protective Communication Systems from the Academy of Federal Security Service of the Russian Federation.

2003: degree in Finance and Credit from Moscow Institute of Economics and Finance.

2003: occupational training course *Establishment, Preservation and Development of a Client Base* at the Institute of Advanced Training and Training of Financial Specialists.

2005: occupational training course *Diagnostics of Borrowers during a Credit Interview. Counteracting Manipulations* at Moscow International Financial Banking School.

2006: occupational training course *Effective Operation of Branches and Additional Offices* at Banking Institute of the Association of Russian Banks.

2012: qualification of financial market specialist in brokerage, dealing and securities management from the Autonomous non-commercial organisation "Institute of additional trade education "International financial centre".

3. Career summary:

CREDIT BANK OF MOSCOW

03.11.2003 – 21.12.2003: Head of Sales Unit of the Customer Business Division of the Krasnye Vorota branch.

22.12.2003 – 12.09.2004: Deputy Head of the Customer Business Division of the Krasnye Vorota branch.

13.09.2004 – 30.09.2004: Head of the Customer Business Division of the Krasnye Vorota branch.

01.10.2004 – 03.02.2008: Head of the Krasnye Vorota branch.

04.02.2008 – 31.03.2008: Head of the Customer Service Department.

01.04.2008 – 30.06.2008: Head of the Corporate Business Department.

22.04.2008 – 15.02.2018: member of the Management Board.

01.07.2008 – 31.01.2012: Deputy Chairman of the Management Board-President, Deputy Chairman of the Management Board.

01.02.2012 – 15.02.2018: First Deputy Chairman of the Management Board.

NCO INKAKHRAN (JSC)

16.11.2015 – 15.02.2018: member of the Board of Directors.

4. Stake in the Bank's charter capital as at the end of the reporting year: 0.00256%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.00256%.

6. Shares of the Bank acquired or disposed of in the reporting year: non-applicable.

Yury Alexeevich Ubeev[19] – Senior Vice President

1. Date and place of birth: 21 October 1974, Moscow

2. Education:

1996: degree in Management from the East Siberia State University of Technology and Management.

3. Career summary:

Rus-Bank JSCB

01.08.2006 – 08.07.2010: Head of the Treasury Department.

CB Novoe Vremya LLC

19.07.2010 – 23.08.2010: Advisor to the Chairman of the Management Board.

24.08.2010 – 01.08.2011: Deputy Chairman of the Management Board.

CREDIT BANK OF MOSCOW

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[18] Appointment terminated on 15.02.2018 (last day in office).

[19] Appointment terminated on 12.01.2018 (last day in office).

08.08.2011 – 14.10.2012: Vice President.
15.10.2012 – 17.11.2016: Deputy Chairman of the Management Board.
18.11.2016 – 12.01.2018: Senior Vice President.

SKS Bank, LLC
06.08.2016 – 11.01.2018: member of the Board of Directors.
18.11.2016 – 15.01.2018: Chairman of the Management Board.

4. Stake in the Bank's charter capital as at the end of the reporting year: 0.0024%.

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.0.0024%.

6. Shares of the Bank acquired or disposed of in the reporting year: non-applicable.

<u>Andrey Alexandrovich Kryukov[20] – Deputy Chairman of the Management Board (appointment terminated on 12.01.2018).</u>

1. Date and place of birth: 29 August 1986, Moscow (Russia).

2. Education:
2008: Law degree, majoring in Jurisprudence from the Academy of Economic Security (Academy of Tax Police).

3. Career summary:

BDO CJSC (before 20.01.2010: BDO Unicon CJSC)
02.02.2009 – 01.10.2010: Legal Counsel.
01.10.2010 – 24.10.2011: Senior Legal Counsel.

CREDIT BANK OF MOSCOW
31.10.2011 – 02.05.2012: Head of the Investment Transactions Legal Support Unit.
02.05.2012 – 02.07.2012: Head of the Investment Projects and Corporate Relations Legal Support Division.
02.07.2012 – 15.04.2013: Head of the Legal Department.
26.06.2015 – 28.06.2016: member of the Supervisory Board.

MCB Capital LLC
16.04.2013 – 01.08.2014: Vice President.
27.03.2014 – 27.02.2015: member of the Board of Directors.
01.08.2014 – to date: First Vice President.

Pharmacy Chain 36.6 PJSC
29.06.2015 – 21.06.2016: member of the Board of Directors.

JCS Ingrad
Since 06.08.2014: member of the Board of Directors.

NCO INKAKHRAN (JSC)
16.11.2015 – 13.04.2016: member of the Board of Directors.

PPF of Defense Industry JSC
31.05.2016 – to date: member of the Board of Directors.

ROSSIUM Concern LLC
29.06.2016 – to date: member of the Board of Directors.

PPF Soglasie JSC
30.06.2016 – to date: member of the Board of Directors.

CREDIT BANK OF MOSCOW
14.11.2016 – 12.01.2018: Deputy Chairman of the Management Board.
14.11.2016 – 12.01.2018: member of the Management Board.

4. Stake in the Bank's charter capital as at the end of the reporting year: 0.0006%.

[20] Appointment of terminated on 12.01.2018 (last day in office).

5. Percentage of ordinary shares held in the Bank as at the end of the reporting year: 0.0.0006%.

6. Shares of the Bank acquired or disposed of in the reporting year: non-applicable.

Remuneration of the Management Board

The structure of remuneration of executive management bodies (executives) and the terms and conditions for payment of remuneration to Management Board members are set out in the Regulation on Remuneration of Members of the Management Board and Selected Senior Executives of the Bank approved by the Supervisory Board.

The system of remuneration of executives is implemented in line with requirements of the Bank of Russia's Instruction 154-I "On Assessing, and Ordering Remedy of Breaches in, Credit Institutions' Payroll Systems" dated 17 June 2014.

Structure of remuneration of executives:

1. non-performance-related components (fixed part of remuneration),
2. performance-related components (non-fixed part of remuneration).

2.1. annual cash award

2.2. deferred long-term performance award

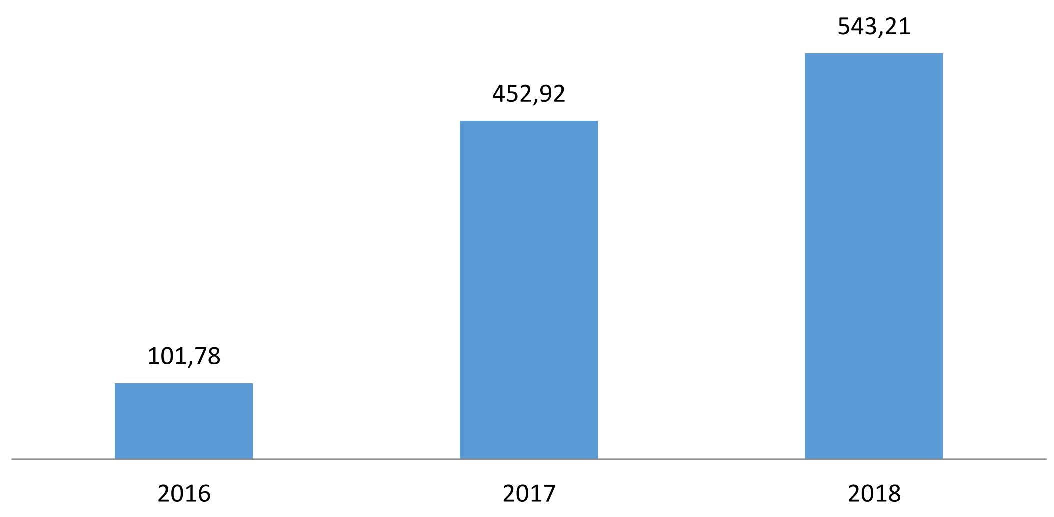
2.3. award for completion of critical tasks (projects).

Annual performance-related awards to the Bank's executives depend on how the Bank and each of executives meet the annual targets approved by the Supervisory Board in two aspects:

- the Bank's financial targets (ROE, ROA, Cost of Risk, NPL and CTI).
- individual performance targets.

The Bank's executives may be awarded for completion of critical tasks (projects) by decision of the Supervisory Board as advised by the Chairman of the Management Board

Executive body remunerations in 2015-2018 (RUB mln)



The non-fixed part of remuneration for 2015 was withheld (with the consent of the members of the executive bodies) by the Supervisory Board due to the unstable market situation. By resolution of the Supervisory Board, annual awards for 2016-2017 and the first part of deferred remuneration for 2016, as adjusted on the basis of 2017 results, were paid to the members of the executive bodies.

6. ***Internal control system***

The internal control system is an integral part of the corporate governance system and one of the most vital elements in the Bank's effective performance. The internal control system provides for protection of the interests of the Bank's investors and customers by ensuring that the Bank's employees act in compliance with Russian laws, regulations and professional standards. It ensures a level of reliability appropriate to the nature of the Bank's operations and minimises banking risks.

The system of internal control is based on a clear allocation of authorities and responsibilities between the Banks' executive bodies, subdivisions and employees. The main requirements for the organisation of internal control as well as the allocation of authority and areas of responsibility are enshrined in the bylaws of the Bank. The Audit and Risk Committee, which reports to the Supervisory Board, supports the efficient functioning of the internal control system at the Bank and secures the effective participation of the Supervisory Board in exercising control over the Bank's financial and commercial activities.

Internal control within the Bank is undertaken by:

- the General Shareholders' Meeting;
- the Supervisory Board;
- the Management Board;
- the Chairperson of the Management Board and his/her deputies;
- the Chief Accountant and his/her deputies;
- the Audit Panel of the Bank;
- the Audit and Risk Committee of the Supervisory Board;
- the Bank's subdivisions and officers responsible for internal control as authorised by its corporate documents:
- the Internal Audit Department;
- the Internal Control Section;
- the subdivision (officer) in charge of anti-money laundering control;
- the stock market professional participant controller;
- other subdivisions as may be required by the nature and the scale of the Bank's business.

The Bank attaches special importance to measures taken for anti-money laundering and combating the financing of terrorism. Internal control programmes and regulations, which are based on the *Know Your Customer* principle, enabled the Bank to increase the effectiveness of its risk management in 2018.

<u>Internal Audit Department</u>

The role of the Internal Audit Department (IAD) is to conduct internal audit and control and provide direct assistance to the Bank's management bodies in ensuring its efficient operation by providing independent and objective recommendations aimed at increasing the effectiveness of the systems of internal control, risk management and corporate governance. The IAD monitors the compliance of the rules, procedures and practices of the Bank's operations with the regulatory acts in force, the Bank's Charter, the resolutions of the Bank's authorised bodies, monitors the effectiveness of the functioning of the decision-making system and allocation of authority, the risk management system, the system for combating money laundering and the financing of terrorism, as well as of other systems for protecting the Bank's activities, and conducts internal audits of the activities of the Bank's subdivisions. The IAD is independent in its activities. The independence of the IAD is established by the Bank's bylaws, and is defined by the following principles, in accordance with which the IAD:

- is subordinated to and accountable to the Bank's Supervisory Board;
- does not undertake activities subject to audit;
- on its own initiative, reports to the Supervisory Board on matters arising in the course of exercising the IAD's functions, and on proposals regarding their resolution, and also provides such information to the Chairman of the Management Board and the Management Board.

The organisational structure of the IAD includes subdivisions responsible for the audit of corporate, retail business and information technology.

The following matters fall within the competence of the IAD:

- verification and evaluation of the effectiveness of the internal control system;
- verification of the risk management system;
- verification of the reliability and adequacy of the procedures securing the safety of property;
- verification of the reliability, completeness, objectivity and timeliness of accounting and management reports;
- verification of the adequacy and reliability of the system of internal controls in terms of the use of automated information systems.

Within its competence, the IAD cooperates with the Bank's Audit and Risk Committee and external auditors with regard to the provision of information concerning the system of internal control, as well as the major deficiencies identified by the IAD in the course of the audit.

Internal Control Section

The Internal Control Section (ICS) performs internal control in order to identify risks of losses resulting from any non-compliance by the Bank with federal laws and other statutes of the Russian Federation, the Bank's bylaws, or from the imposition of any sanctions and/or other actions by supervising authorities. The ICS reports to the Chairman of the Management Board. The ICS carries out the following functions:

- developing the methodological framework of the internal control system;
- reviewing bylaws developed by the Bank's internal subdivisions from the viewpoint of their compliance with banking laws and the Bank of Russia's regulations;
- monitoring Russian laws for the purpose of updating corporate documents in due time;
- making proposals to improve banking service technologies so as to comply with banking laws, abridge service time and increase service quality;
- developing bylaws intended to identify conflicts of interest and prevent internal misconduct;
- developing bylaws intended to enforce rules of corporate conduct and standards of professional ethics;
- providing methodological support to the Bank's staff regarding evaluation of regulatory risks and identification of such risks in internal technologies or rules of specific banking operations;

- analysing the results of internal and external audits of banking operations so as to adjust existing corporate documents regulating the internal control system and regulatory risk management;
- registering regulatory risk events and maintaining an analytical database of the Bank’s losses;
- evaluating the extent of any deviations identified in transactions, finding their causes, any systemic errors, abuse or organised schemes, and initiating investigations;
- assessing the need for any regulatory risk mitigation measures and preparing appropriate decisions within its competence;
- controlling subdivisions’ compliance with approved procedures, limits, processes and technologies;
- liaising with the Bank of Russia and external auditors regarding any methodological issues related to internal control and regulatory risk management;
- analysing customer grievance indicators and the Bank’s observance of customers’ rights;
- analysing the suitability of any outsourcing arrangements of the Bank.

Audit and Risk Committee

The Audit and Risk Committee acts in the interests of the Bank’s shareholders, the Bank itself and its investors, promotes the establishment of an effective system of control over the financial and commercial activity of the Bank, and ensures the actual involvement of the Supervisory Board in exercising control over the financial and commercial performance of the Bank.

The Audit and Risk Committee acts within powers conferred to it by the Supervisory Board under the relevant regulation.

In its activities, the Audit and Risk Committee is fully accountable to the Supervisory Board and acts under Russian laws, the Bank’s Charter, the Regulation on the Supervisory Board, the Regulation on the Audit and Risk Committee and other bylaws of the Bank as approved by its General Shareholders’ Meetings and the Supervisory Board, and also resolutions of the Committee itself.

The Audit and Risk Committee co-operates with other Supervisory Board Committees, the Bank’s Audit Panel, auditors of the Bank, the Management Board, the Internal Audit Department, the Internal Control Section and other management and control bodies of the Bank.

Audit Panel

The Bank’s Audit Panel is a standing, elective body forming part of the Bank’s internal control system. The Audit Panel acts in the interests of the Bank and its shareholders for the purposes of mitigating the risks of the Bank’s business activities.

The Audit Panel of the Bank is subject to the legislation of the Russian Federation, the regulations of the Bank of Russia, the Bank’s Charter, the Regulation on the Audit Panel and the resolutions of the Bank’s General Shareholders’ Meeting.

Within its competence, the Audit Panel of the Bank shall inspect the Bank’s compliance with applicable laws and regulations, organising the Bank’s internal control, the legality of operations made by the Bank (by full or selective verification) and the state of the Bank’s cash and property.

According to the Bank’s Charter, the Audit Panel of the Bank consists of three members, elected by the General Shareholders’ Meeting for a term ending at the next annual General Shareholders’ Meeting.

On 14 June 2018, the following persons were elected to the Audit Panel by the annual General Shareholders’ Meeting:

- Evgeny O. Gudkov, Deputy Head of Financial Department, MCB Capital;
- Alexandra A. Vastyanova, Risk Management Vice President, MCB Capital;
- Vyacheslav Yu. Osipov, Head of Reporting and Audit Division, ROSSIUM Concern.

External Auditors

The Bank's external auditors in 2018 were Joint-Stock Company KPMG (in respect of the International Financial Reporting Standards) and Joint-Stock Company Audit-Consulting Group Business Systems Development (RBS) (in respect of the Russian Accounting Standards).

External auditors are appointed by the General Shareholders' Meeting upon the Supervisory Board's recommendation. In its turn, the Supervisory Board relies on recommendations as to the choice of the Bank's auditor given by its Audit and Risk Committee which, following discussions in 2017-2018 and meetings with auditors, recommended that it keep the current auditors, whose independence and impartiality was acknowledged by the members of that Committee. It should be noted that the IFRS auditor was chosen through a tender process.

KPMG's fees for the audit of 2018 IFRS statements and the interim reviews for 3, 6 and 9 months of 2018 stood at RUB 22,400,000, excluding VAT.

RBS's fees for the audit of 2018 RAS statements and the interim review for 9 months of 2018 stood at RUB 2,400,000, including VAT.

FOR SHAREHOLDERS AND INVESTORS.

The Bank adapted to the changing macroeconomic environment by improving its business approaches, in particular by shifting the focus towards greater openness to its partners, shareholders and customers. The Bank maintains an open and transparent dialogue with its existing and potential shareholders and investors, given the high degree of responsibility it faces.

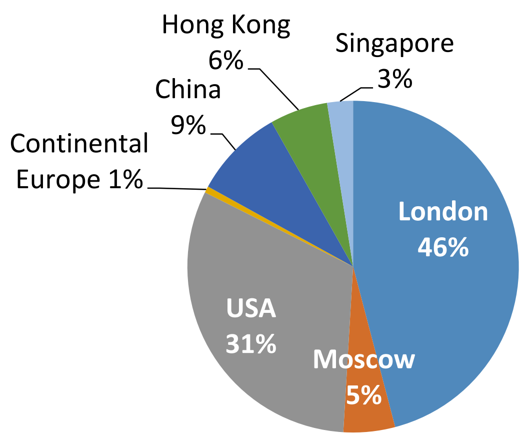
The Bank mainly contacts institutional shareholders and investors through the Chairman of the Management Board, Senior Vice President, Corporate Secretary and IR Division, who are open to discuss with investors any questions they may have.

Information is provided to shareholders and investors at annual shareholders' meetings, in annual reports and regular consolidated financial statements with related presentations and webcasts. During the year, the Bank met more than 100 institutional investors at investor conferences and roadshows all over the world. During the year, the Bank participated in investor meetings in the UK, Continental Europe, the USA, Singapore, China and Hong Kong.

The Supervisory Board is regularly updated on shareholders and investors' position regarding the Bank by its management and IR team. All feedback from analysts and the Bank's consultants is also given to the Supervisory Board.

The Bank's official website, mkb.ru, allows investors to see the Bank's results, press releases, investor presentations, information on its corporate governance, corporate and social responsibility, management and other information of importance to them.

Investor meetings in 2018 (geographical distribution)



More than **150** investor meetings, **3** roadshows and **10** conferences were held in 2018.

Shareholder and investor calendar for 2018

Date	Event
1Q2018	
01-06 February	Investor meetings in Zurich, London, New York and Boston in the course of offering senior Eurobonds issued via CBOM Finance p.l.c.
26-28 February	J.P. Morgan 2018 Global Emerging Markets Corporate Conference
29 March	Disclosure of 2017 IFRS results
2Q2018	
10-11 April	Moscow Exchange Forum 2018 and Renaissance Capital's 22nd Annual Russia Investor Conference in Moscow
18 April	Autonomous New CEE Conference in London
15 May	Moody's Emerging Markets Summit, London
16-17 May	Investor meetings in London and New York (NDR)
22-23 May	Sberbank CIB "Russia: The Inside Track" One-on-One Conference in Moscow
23 May	Record date for participation in the Annual General Shareholders' Meeting convened on 14 June
24 May	Access to materials in preparation for the Annual General Shareholders' Meeting convened on 14 June
24 May	Notice of the Annual General Shareholders' Meeting convened on 14 June
30 May	Disclosure of 1Q IFRS results
30 May-01 June	BofAML Annual Emerging Markets Corporate Credit Conference, Miami, USA
14 June	Annual General Shareholders' Meeting
3Q2018	
20 August	Disclosure of 1HY IFRS results
03-06 September	HSBC GEMs Investor Forum, London, UK
25-27 September	J.P. Morgan Credit and Equity Emerging Markets Conference 2018, London
4Q2017	
10-12 October	Investor meetings in Hong Kong and Singapore (NDR)
23 October	GEM One-on-One Conference (UBS), New York
08-09 November	Moscow Exchange Forum: London Session
19-22 November	Moscow Exchange Forum: China Session
22 November	Disclosure of 9M IFRS results

SHARES

The Bank’s shares are on the first-level list of Moscow Exchange

Instrument type	Short name	Ticker	ISIN
Ordinary share	CBM ao	**CBOM**	RU000A0JUG31

The Bank’s initial public offering supported by institutional and private investors took place in June 2015. Selling at **RUB 3.62 roubles** per share, it aggregated **RUB 13.2 bln**.

In December 2015, the Bank made a secondary public offering on Moscow Exchange, raising **RUB 16.5 bln** and achieving a market capitalisation of **RUB 87.6 bln**.

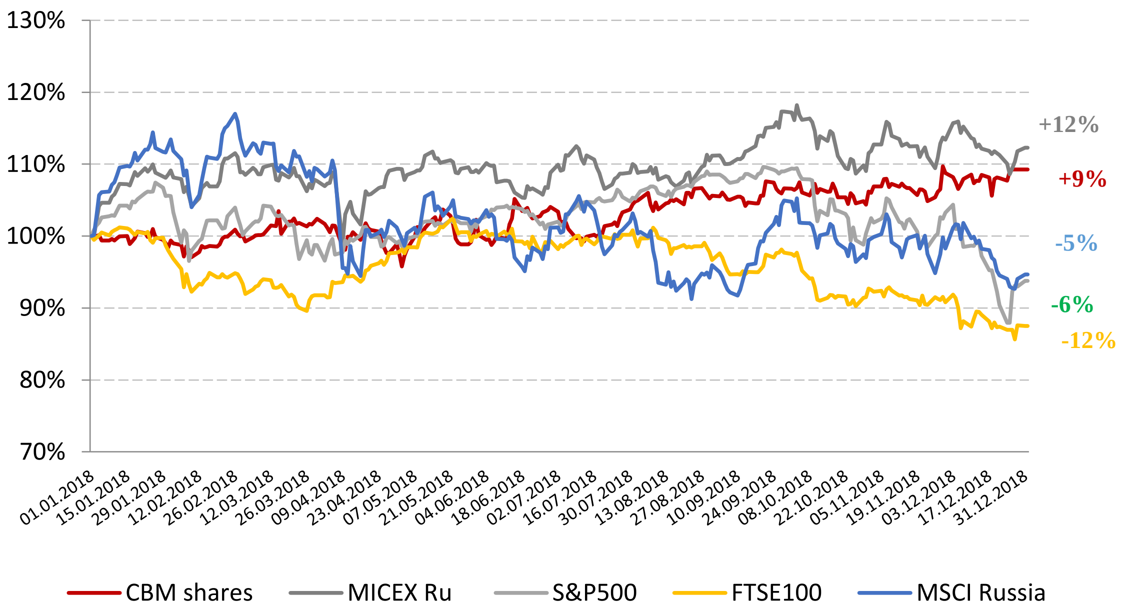
In October 2017, the Bank made another secondary public offering on Moscow Exchange, raising **RUB 14.4 bln** and achieving a market capitalisation of **RUB 122.1 bln**.

On 16 June 2016, Moscow Exchange included CREDIT BANK OF MOSCOW’s shares (CBOM) in its **MICEX (now: MOEX Russia) and RTS** indices as it revamped their reference bases. As at 31 December 2018, MOEX Russia and RTS indices covered the **top 42** liquid shares of the largest Russian companies from key sectors of the economy. These indices are the main indices of Moscow Exchange for calculating issuers’ capitalisation. The Bank’s shares also made their way to the broad market shares index and the financial sector index. The former covers shares with at least a **5% free-float**.

The Bank’s share price in 2018 (RUB)

On 1 June 2018, CREDIT BANK OF MOSCOW’s shares were also included in MSCI EMERGING MARKETS SMALL CAP INDEX. It covers 1,586 shares of companies in 24 countries and approximately 14% of the free float-adjusted market capitalisation in each country.

The Bank’s share price compared to global indices in 2018 (%)



BONDS

Eurobonds.

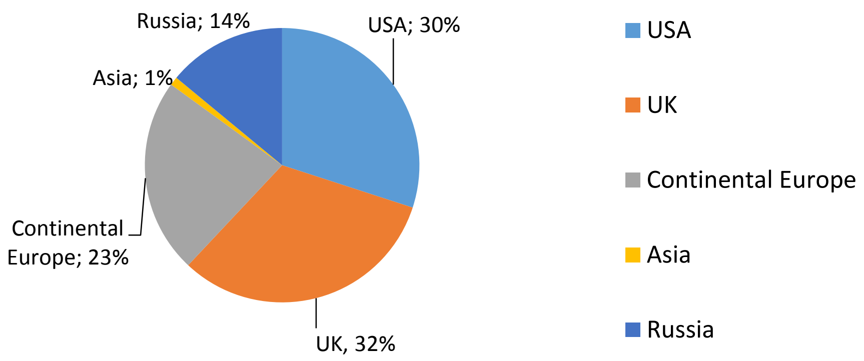
The Bank debuted in the Eurobonds market in 2006. As at end-2018, the outstanding principal amount of its Eurobonds totalled USD 2.2 bln and RUB 5.0 bln. They were issued via a special purpose vehicle, CBOM Finance p.l.c., on the Irish Stock Exchange.

Security type	Issue date	ISIN	Par value	Amount outstanding	Coupon rate	Maturity, years
Subordinated Eurobonds 2025	26.11.2014	XS1143363940	RUB 5,000,00 0,000	RUB 5,000,00 0,000	16.500%	10.5
Eurobonds 2021	07.11.2016	XS1510534677	USD 500,000, 000	USD 500,000, 000	5.875%	5
Subordinated Eurobonds 2027	05.04.2017	XS1589106910	USD 600,000, 000	USD 557,000, 000	7.500%	10.5
Subordinated perpetual Eurobonds	10.05.2017	XS1601094755	USD 700,000, 000	USD 670,000, 000	8.875%	Perpetual Eurobonds
Eurobonds 2023	14.02.2018	XS1759801720	USD 500,000, 000	USD 500,000, 000	5.55%	5

In 2018, the Bank placed one 5-year USD 500 mln 5.55% Eurobond issue; its coupon rate became the lowest in the Bank’s entire Eurobond market history.

The deal book represents overwhelmingly international demand coming from a wide circle of investors, including funds, asset management companies, private banks and financial institutions. Geographically, orders were sourced from the UK (32%), the USA (30%), continental Europe (23%), Russia (14%) and Asia (1%). In total, more than 100 orders were given from 17 countries of the world. The book building process was preceded by a series of meetings with institutional investors in Zurich, London, New York and Boston.

Eurobonds due in 2023
(USD 500 mln)



Internal bonds

The Bank's bonds are on the first level list of Moscow Exchange.

Security type	Placement date	ISIN	Par value, RUB mln	Coupon rate	Maturity, years
Exchange-traded bonds series BO-10	11.07.2014	RU000A0 JUQQ5	5,000	8.50%	5
Exchange-traded bonds series BO-11	11.07.2014	RU000A0 JUQR3	15,000	9.15%	5
Exchange-traded bonds series BO-09	25.03.2015	RU000A0 JU898	3,000	10.25%	5
Bonds series 15	24.07.2018	RU000A0 ZZE87	5,000	12.00%	perpetual

In 2018 Credit Bank of Moscow optimised its capital structure by way of partial repayment and cancellation of USD 600 mln 7.500% p.a. Eurobonds due 2027 and perpetual USD 700 mln 8.875% p.a. Eurobonds. As a result, USD 557 mln in principal of CBOM'27 bonds and USD 670 mln in principal of perpetual bonds remain outstanding.

Some of those bonds were replaced by subordinated RUB 5 bln bonds issued in July 2018, which reduced the cost of capital. These capital market transactions yielded USD 14.4 mln of income to the Bank (net of savings on coupon payments in respect of the cancelled securities).

The Bank's credit ratings as of 31.12.2018

Fitch Ratings	**BB-**	long-term default rating
	B	short-term issuer default rating
	B+	viability rating
	4	rating support
		Stable outlook
Standard and Poor's	**BB-**	long-term counterparty credit rating
	B	short-term counterparty credit rating
		Stable outlook

Moody's Investors Service	**Ba3/NP**	long-term local and foreign currency deposit rating
	Ba2	**Counterparty risk rating**
		Stable outlook
ACRA	**A (RU)***	national scale credit rating
		Stable outlook
Expert RA	**ru A-****	**credit rating**
		Stable outlook

Rating actions in 2018:

- ACRA upgraded CBM's rating to A(RU) "Stable" in February 2018.
- Expert RA assigned a rating to CBM in May 2018.
- Moody's Investors Service assigned the counterparty risk rating Ba2.

SUSTAINABLE DEVELOPMENT

1. Human resources

CREDIT BANK OF MOSCOW's management devotes priority attention to the development of human capital and the creation of an effective team.

The Bank's HR policy is aimed at attracting, training and retention of highly qualified and efficient personnel. In order to achieve the objectives of the HR policy, all activities to develop the organisational structure, improve the business processes and increase professional development of the employees are based on the goal setting management, improvement of the key performance indicators system, as well as corporate culture development and increased involvement of all employees.

In 2018, the HR strategy was structured in accordance with the strategic goals of the Bank. In addition, the focus was made on efficiency and automation of processes.

Bank's headcount structure

The number of CBM employees by the end of 2018 amounted to 6,102, this figure exceeding 2017 data by 8%. The definitive increase in staff numbers was accounted for primarily by the affiliation of the regional network of Sovetsky Bank and the appearance of a new bank-based investment business line as well as strengthening of other key functions.

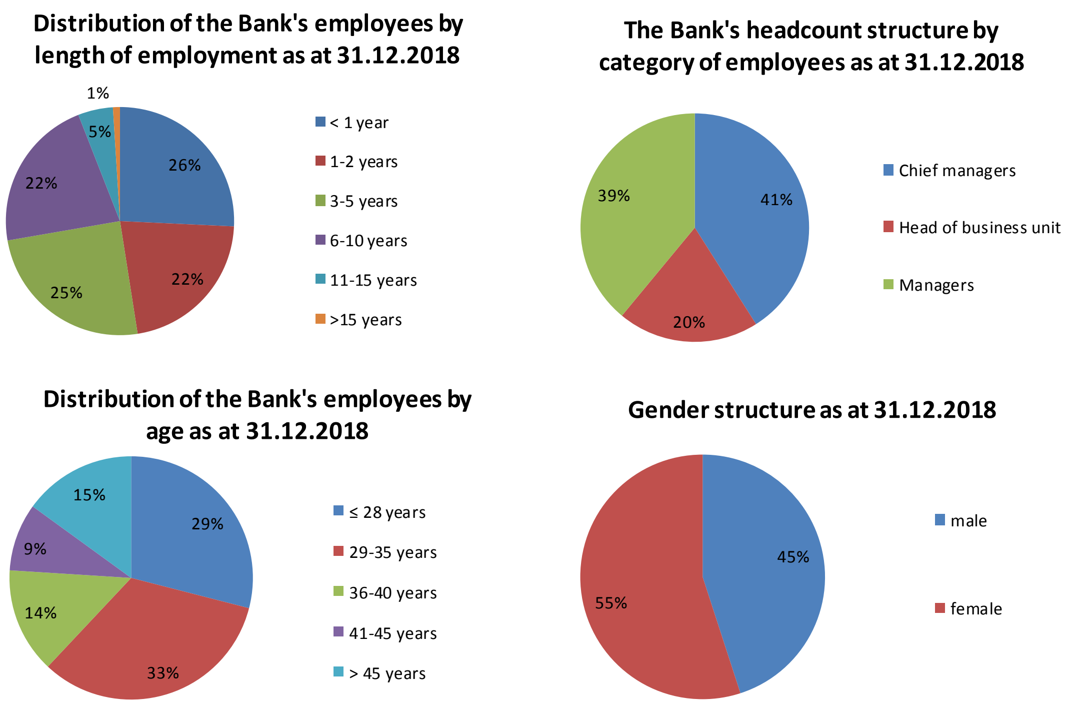


Figure 1. Analysis of the Bank's personnel as at 31.12.2018

Staff recruitment and adaptation

The year 2018 was marked for Credit Bank of Moscow in general and for the Recruitment Unit in particular by a number of major changes. One of them was the acquisition of Sovetsky Bank's deposits and, as a result, the extension of the Bank's regional retail network owing to the appended branches. In this regard, the Recruitment Unit had to proceed to staff recruitment and evaluation process in non-metropolitan areas within the shortest possible time.

The business need for regional network employees was met in full within a few months. In addition to the realisation of the Sovetsky project, the Recruitment Unit was actively engaged in the development and evaluation of personnel. Emphasis was placed primarily on assessing the employees’ professional and business competencies.

In 2018, the Recruitment Unit developed a new recruitment policy for the Mass Selection Group. A personnel appraisal system was launched through the evaluation centres, to be used by the Call Centre, Underwriting Division and the consultants.

In 2018, considerable attention was paid to the development of automation processes. In particular, a number of projects were launched, aimed at automating the recruitment processes. An important activity line of the Recruitment Unit in 2018 was development of the employer’s brand attractiveness. For instance, a project was launched, in conjunction with the IT Directorate, to attract young IT professionals through various activities like hackathons and meetups.

The development of trainee programmes featured among the Bank’s major activities. In 2018, over 200 students from leading Russian universities successfully completed onsite training or study placement at the Bank. Some of them have become part of our team.

In 2019, we shall continue to work on improving the headhunting quality, reducing vacancy closing time and recruitment process automation.

Training and Development

Staff training is a significant factor in the development of the Bank’s human resource potential which, as before, is based on the strategic goals and business objectives of the subdivisions. At the same time, some programmes were optimised to reflect the changes and needs in the units. In 2018, the comprehensive training programmes were focused on quality improvement and perfection of Bank employees’ management skills. A complex of measures was implemented in CBM within the framework of a project to launch the Performance Management system (hereinafter PM), and as part of activities to effect due affiliation of the regional network (Sovetsky project).

Core training was organised on an ongoing basis for the employees of the Retail Network, Call Centre, Underwriting Division and Overdue Debt Collection Division. Core training is based on the career models practiced in the units and includes major aspects of the employees’ work in a relevant position. The core training envisages full-time study methods and remote learning formats (distance courses and testing); the well-established format of business simulation and business games is also used. In 2018, about 2,500 participants attended various baseline courses and modular training.

An important part of the training is the use of remote learning channels aimed at exploring and consolidating the material. The remote courses are an important and indispensable part of the modular programmes developed for the Call Centre and the Underwriting Division. In 2018, more than 3,500 participants attended learning courses.

In order to strengthen and evaluate the staffers’ management skills, the following key projects were realised in 2018:

In 2018, a fifth consecutive group (32 persons) was covered by training under the "Talent pool" programme. The "Talent pool" is a platform for intra-company training of prospective employees of the Bank divisions, securing their career development. The Reserve participants master a modular development programme aimed to train competencies necessary for a front-office head manager.

A corporate-block development programme has been implemented: team-building exercises (180 persons), training in building long-term relationships with customers (40 persons), training in emotional intelligence (2 groups, 34 persons).

A strategic session was organised and held for the managers of the Bank's Retail Business (54 persons).

The directors of subsidiary offices (84 persons) took part in the training "Mastering HR-technologies" (in the form of interviews) as part of a programme aimed at enhancing the managerial competence of unit directors.

The following measures were implemented at the Bank to launch the Performance Management system:

- Relevant proposals and a specific approach to effectuation of activities within the PM system were developed.
- Competence models were prepared, designed for all managers and employees of the Bank.
- Due work was performed for preparation of an IT platform (Webtutor software) through which the PM process will be automated, with relevant business requirements developed and agreed upon.
- The methodology for implementation of this system at the Bank was properly developed.
- In order to inform the top managers about the launch of the system, special information sessions were held (356 participants), in addition to communications in the form of letters and presentation materials.

The necessary training activities were carried out within a short time (September - December) as part of the Sovetsky project, involving extension of the Bank's regional network, both at the Training Centre in Moscow and in Saint Petersburg, as well as in the form of webinars. For this, both full-time and remote-format methods were used. An extensive pool of remote courses on the Bank's products was developed (10 courses). The programmes were split for the offices working with lending products and those not involving credits and loans. The training was conducted for managers and consultants with regard to posts held.

Incentives and wages

The Bank seeks to provide a competitive level of remuneration to attract, retain and motivate the employees, at the same time strictly observing the labour legislation of the Russian Federation and statutory requirements.

The remuneration system includes fixed and flexible parts, computed on the basis of the employees' qualification and experience, parameters of performed work, job-prescribed level of responsibility and work results, both of the employee and the Bank in general.

In 2018, more attention was paid to the development of reward systems with regard for specific features of the subdivisions, with account of fiscal result promptness; special emphasis was also placed on the performance account automation process and computation of a variable component of salaries, in order to secure a prompt and flexible response to the dynamic external conditions.

Over 75% of the Bank’s personnel is covered already by the incentives based on efficiency and productivity of the employees’ work, yielding operation of their division and the Bank on the whole, due quality of work, with account of the accepted risk level.

With extension of the Bank’s regional representation owing to the accession of Sovetsky Bank divisions, the Bank undertook integration of 25 regional branches into the current labour remuneration system within a short time. During this process, the basic principles of the Bank’s pay systems were observed - fairness, transparency, regularity and risk accounting, along with meeting the requirements for labour remuneration and social guarantees locally established by the labour legislation.

In 2018, an audit of the existing motivation systems, including intangible incentives, was undertaken, and a plan for their improvement was outlined in accordance with the Bank’s Strategy for the year 2019. Some of the projects were launched by the end of 2018, in particular, a project-for-appreciation programme aimed at supporting the competency model introduced by the Bank. A number of initiatives to extend the social package provided by the Bank were approved, as concerns insurance protection and coverage of the employees’ shortfall in income.

2. ***Corporate culture***

In 2018, the Bank celebrated its 26th anniversary. A BIG Picnic was held at Kuskovo Estate to commemorate CBM's 26th birthday with the motto "Youth. Beauty. Future". Over four thousand people attended the festivities. The employees with their families and friends could find entertainment to any taste: go for a row or explore the park on horseback, take part in dancing, brain-storming and cookery master classes, jump on a trampoline or play skittles, badminton and frisbee. To entertain the children, a separate *KidZania* zone was set up with slides, a huge Lego set and a ball pit where children could play under adult supervision.

The Bank also has sports teams that participate in various tournaments and sports competitions; in addition, the employees actively promote the development of corporate and social responsibility by supporting the *Arifmetika Dobra* charity.

Corporate social responsibility is an important part of the corporate culture of CREDIT BANK OF MOSCOW. The Bank shares the principles of social responsibility and considers it important to provide support to those in need. Thus, in 2018, the employees of the Bank together with the *Arifmetika Dobra* charity conducted a number of charitable actions aimed at helping orphans in social adaptation and helping them gain a good education.

Recognising its responsibility to future generations, the Bank's management strives to support economics or banking graduates. The Bank's representatives continue to participate actively in various events devoted to the development of young professionals, and to increase the number of places to practice every year.

For instance, the investment business employees gave lectures at the Financial Academy where they spoke with students about interesting moments in their professional future activities.

3. *Information technologies*

The Bank's IT-development policy is aimed at improving its banking technologies, and developing, optimising and upgrading its IT systems. The IT Directorate is responsible for development and implementation of the IT strategy, IT policies, improvement and maintenance of the entire IT infrastructure, software development, deployment and maintenance, i.e. measures intended to support implementation of business initiatives and for compliance with the requirements of the regulator. In December 2018, the Management Board approved the IT strategy for 2019-2020.

The Bank is committed to building a failsafe IT infrastructure. As it needs to ensure guaranteed execution and high efficiency of banking and, first and foremost, customer transactions, the main IT infrastructure design criteria are the elimination of Single Points of Failure and the ability to promptly expand IT systems' processing capacities. The cost efficiency of the created infrastructure is also taken into account.

In order to build a failsafe and powerful IT infrastructure, the Bank uses a distributed data centre (DDC), enabling it to ensure high efficiency of transaction processing with a strong protection of such transactions against any infrastructure breakdowns. All data centres (DCs) in the DDC are connected by a private network of fibre-optic links (Dark Fiber) via main and back-up, non-overlapping routes. Usage of DDC architecture has increased reliability and scalability of IT infrastructure at acceptable costs, because IT systems in this architecture do not fail (only become less productive) if one centre fails. Taking into account the projected capacity, the overall productivity would not decrease by more than 10-15% if one data processing centre fails, and the impact would be mainly limited to the least critical systems at the Office Productivity level. The DDC uses high-tech engineering systems and management utilities to achieve maximum manageability of the sophisticated engineering infrastructure by enabling collection, sorting and circulation of critically important alerts, video surveillance records and other important information, so that the entire picture of the sophisticated engineering infrastructure can be seen from any point of the network.

Based on the results of a pilot project of commercial DDC unit operation, a decision was passed to implement the concept of using the facilities of commercial DDC operators as units of the Bank's distribution data centre. Following tenders, several service providers were chosen on whose facilities additional units of the Bank's DDC will be organised. Inclusion into the DDC structure of units located on leased premises provides an opportunity for further expansion while preserving a high level of safety and security.

The DDC is operated by the VMware vSphere virtualisation platform. The virtual server farm is based on cloud technologies in the form of a Private Cloud, and represents the Bank's main processing capacity. The VMware High Availability Cluster-based virtualisation increased IT systems' reliability, the server utilisation ratio, equipment density, and, owing to faster roll-out and greater testing possibilities, accelerated the introduction of new products. In addition, this solution simplified the IT infrastructure expenditure planning by unifying processing resources.

Increasingly growing banking and, primarily, customer transactions set new requirements to improving the efficiency of the Bank's IT infrastructural components while reducing total ownership costs. One way to improve its IT systems' efficiency that will limit the use of extensive rollout techniques is ongoing analysis and rational employment of progressive IT solutions.

For example, implementing and migrating to Hyper-converged Infrastructure (HCI) as an advanced IT structure platform minimised the need for such specialised infrastructure components as dedicated data storage systems and core network switches. The cluster's pilot operation demonstrated the flexibility of the chosen HCI architecture solution. With an advanced technology of rolling out virtual servers in the new architecture, the infrastructure becomes more stable and infrastructural execution of IT projects becomes quicker.

Intensive implementation of new software products requires qualitative improvement and acceleration of the processes associated with software development and testing. A development and testing environment cloning system based on private cloud technologies was put into operation using open software and Ceph-based distributed storage. The databases migrated to the new system get a simple copying and cloning mechanism enabling much quicker, "on demand" delivery to developers.

One of the main tasks of the IT subdivisions is to choose optimal automation solutions and increase operational efficiency. By improving its IT systems, the Bank expects to make most business processes less cost- and time-consuming. This approach will significantly enhance the Bank's competitiveness, its products' attractiveness and its customer service quality.

The Bank continues to actively develop its front office solution for corporate and retail clients based on the Oracle Siebel 8 platform. Work in 2018 was mainly aimed at migrating new business processes to a single front-office system.

As regards the retail block, a process of customer on-boarding and relationship building, as well as self-certification on forms FATCA and CRS was implemented. The process of loan file generation, registration, verification and transfer for custody was successfully automated, processes of targeted offer downloading and implementation were deployed, the mortgage application migration from the preceding CRM system version was accomplished, the second stage of the automation process to prevent and recover overdue debts for field employees using portable tablet computers was successfully accomplished and work on the third stage is nearing completion. Robotised power dialling to debtors was successfully deployed, the shift from the automation system of cooperation with debt collection agencies was performed. The process of remote customer on-boarding and the issue of “World of Privileges” cards to them at BP filling stations was launched.

As regards the corporate block, the Bank continued its work on business process optimisation. A process was implemented to establish the customer managers' activities that allows monitoring and analysis of all stages of product sales to customers and will be used to build a sales funnel. The process to receive information regarding customers from credit agencies was also automated, the functionality of data generation, storage and export to interfacing systems in connection with FATCA and CRS processes was implemented, customer data collection was deployed for AML/CFT surveys and questionnaire printing. In addition, the functionality of automatic business segment (micro, small, medium) input on the basis of FTS data was implemented. At year-end, work was done to automate information assessment in relation to the customer business development plan (CBDP). Downloading of applications for express-guarantees from the website of Russian Bank Centre was also automated.

Back office software continued to be replaced in 2018, which ensured the successful completion of the Sovetsky Bank depositor support project. Thus, the Bank expanded its area of presence and has the most up-to-date technological platform for developing its retail deposit product range. New deposit products were launched: "Dreams", "Exclusive", "Grand" and "Virtual Pooling".

Individual customer servicing using escrow accounts began.

New products were developed as a part of work to optimise the corporate block's processes in "Loan Pipeline" software: developer loans under 214-FZ (links with "Escrow" accounts), assignments and multi-principal agreements, implementation of functionality to determine the depreciation stage in the course of initial recognition and a SPPI test. A "Security Subjects Monitoring" module was also designed. In accordance with the Bank's accounting policy and methods for assessing pledged property value, calculation of security cost under pledge agreements, security pledge value and amount posting in relation to loan to agreements were automated.

The Bank has one of the largest cash handling centres in Moscow. To ensure its technological leadership in this area, the Bank's IT specialists have developed and continually improve specialised automation software. Its capabilities allow the Bank to reduce notably the cost of cash collection services provided to its and other credit institutions' customers, to deliver cash to/from terminals and ATMs and other credit institutions' branches.

In pursuit of strict control over operational efficiency, the Bank's development strategy requires the maximum use of remote client service systems. To perform transactions and data exchange with the Bank the corporate customers use the convenient and constantly improving internet banking system "Your Bank Online" (YBO). The use of its outdated offline version "Your Bank in Your Office" (YBIYO) was discontinued as scheduled in 1H2018.

A wide range of work was performed to improve safety of YBO and counteract the increasing aggression of the external IT environment. Customers IP-address control was introduced. "Customer Personal Account for Private Encryption Key Generation" was launched and will be used both to operate in YBO and to interact with other Bank's tools that require that customers have digital signature keys. YBO was integrated with the anti-fraud professional computer appliance IBM Safer Payments (IRIS).

As a part of RBS alternative channel development, the "Technological interoperation with 1C" service was deployed, using which corporate customers can request statements and effect payments to the Bank straight from the 1C interface.

Due to the requirement to follow the provisions of Law 214-FZ "On Participation in Shared Construction of Apartment Houses and other Real Properties", the "System of Banking Support of Contracts" (BSC) project was launched, which is designed to make, record and store agreements, automate process control over the targeted use of funds on special accounts relating to performance of supported contracts, as part of the enhanced banking support service provision to customers.

As part of performance of the requirements of Law 44-FZ "On the Contract System" electronic document flow between nine electronic trading facilities servicing the companies participating in state procurement was established in the shortest possible time. As a result, Credit Bank of Moscow became one of the top-3 banks that were first to establish integration cooperation with all electronic trading facilities operators.

Considerable focus is also placed on development of the mobile Online Banking version for legal entities – "CBM Business". In March 2018, a new software version became available to legal entities and sole proprietors that includes the "Mobile Payment" service allowing delivery to the bank of payment orders generated from mobile devices. Two modifications of the version are available, for iOS and for Android.

As regards development of the banking platform in accordance with CBR requirements, in July 2018, the ABS of the Bank was switched to the "third protection version" in relation to interbank payments transfer and the switch to the Advanced Payment System of the Bank of Russia was performed, which allowed the Bank to enhance significantly the security level and increase the rate of information exchange with the Bank of Russia.

Electronic Factoring product development continues. In 2018, Quorus Consulting and E-com were added to the list of successfully integrated EDF operators.

The Retail remote banking systems "MKB Online" and "MKB Mobile" were also intensively improved in 2018. Non-resident customers can also use them now. As for functional improvement, services were introduced allowing customers to enhance their ability to conduct transactions over the Internet, such as the possibility to make transfers using a telephone number, to repay loans using other bank cards, to manage core product information and order payment rings. New credit products and a new "Accumulation Account" were introduced and the "CBM Bonus" program was updated. Work was done to switch the system to regional operating mode when loan applications are furnished. Work was also performed to enhance system fail-safety. To ensure security, work continues on FRAUD monitoring of operations in the system. The functionality and design of the website "Transfer from Card to Card" were completely redeveloped.

Improvement of the SAS RTDM product continues. Preliminary scoring with regard to corporate customer applications was set up.

The Bank is a principal member of Visa, MasterCard, MIR, JCB and UPI, and it provides acquiring services and issues a wide range of cards: debit, credit, prepaid and virtual cards, both for the mass and premium segments. To provide a comprehensive and high-quality plastic card service, the Bank operates its own processing centre based on the Compass Plus solution. The Bank uses its own card personalisation centre to ensure plastic cards can be used as promptly as possible. Modern bank card technologies are under intensive development: Google Pay, Samsung Pay, Apple Pay and Garmin Pay services, as well as payment rings, are all supported.

The Bank develops its own acquiring services and has concluded agreements with major retail chains to integrate their terminal equipment with cash solutions and launched automated document flow with points of sale. The processing centre’s software has technology solutions to serve VISA, MasterCard, UPI, JCB and MIR cards both on the Bank’s equipment and on its partners’ web pages. The Bank is also dynamically expanding the range of services offered to card holders by extending its bonus programme and promoting its Universal Bank Card project, enabling customers to use their own and borrowed funds from a single card.

The Bank is working continuously on enhancement of card security, introducing modern technologies for customer identification and fraud monitoring systems. In 2018, pilot projects were launched for mathematical modelling of customer behaviour using elements of artificial intelligence and for a 3dSecure in-house solution for MIR cards.

The Bank intensively expands the availability of self-service machines in Russian regions. As of now the Bank’s payment terminals and ATMs are available in more than 40 regions of Russia, facilitating payments to more than 2000 service providers, repayment of loans and top up cards (including those of third-party partner banks), as well as to enter tickets onto transport cards, using both cash and bank cards.

All the Bank’s self-service machines have been equipped with new proprietary software, which has made it possible to implement new unique projects and afford convenient service to customers. New projects are being developed using state-of-the-art UI technologies, i.e. Angular 5. The new technologies applied to ATMs already provide the option to choose the face value of banknotes and the interface language, make payments for services in cash and repay loans granted by partner banks.

The Bank continues to intensively improve and enhance the service "Electronic Cash Collection" (placement of the customer’s sales revenue onto a settlement account using automatic devices) and during the year new companies were brought on board, not only from Russia, but also from among the major international players. Execution of contracts with new major partners increased the Bank’s fee income. Process optimisation and development of new technologies with regard to the "Electronic Cash Collection" service allowed the Bank to gain a leading position in this service market.

Within a short period, interaction with a fiscal data operator was established, which made it possible to integrate the partner’s online payment device and the Bank’s payment terminal, and this further enhanced the Bank’s position in the market as to the project "Electronic Cashier" and made it possible to satisfy entirely the customers’ requirements and solicit new partners. Furthermore, to make fixed-amount payments for services more comfortable, the functionality of payment terminals to pay change to bank cards was implemented, which made it possible to replace entirely the partners’ cash desk with the Bank’s payment terminals. The Bank also developed the new service "InfoKiosk" rendering it possible to use a payment terminal not only for payments, but also as a tool to search goods or services adviser.

As part of the continuous development of relationships with the public sector, the Bank was the first in the market to implement payment for cadastral services (Bureau of Technical Inventory in Moscow) using any payment terminal of the network, and also facilitated integration, allowing the top-up of preferential transport tickets for students. Development of payment for public services creates a positive public image of the Bank and enhances the level of confidence.

In order to to enhance customer loyalty and create a positive public image of the Bank, the loyalty programme was implemented on self-service devices allowing customers to get unique gifts and discounts with each payment.

The Bank implements a global information security program, covering both security of the Bank itself and customers and counterparties. In particular, the policy implementation is verified by regular successful inspections and audits of compliance with legal requirements regarding personal data processing and protection, the requirements imposed by the Bank of Russia as part of the National Payment System pursuant to the requirements of 161-FZ "On the National Payment System", as well as the requirements of IPSs and the National Payment Card System as regards security of such payment cards in accordance with the requirements of the Payment Card Industry Data Security Standard (PCI DSS). In addition, starting from 2017, the Bank abides by the requirements of the SWIFT Customer Security Programme with annual confirmation.

The Bank applies a risk-based approach to information security, which is why large-scale work was commenced in 2018 to redesign the Bank’s network perimeter protection from external and targeted attacks, with continuous optimisation of internal controls and monitoring.

Qualified staff of the IT Directorate ensure the stable operation of all of the Bank’s systems; they perform regular tests, upgrades and monitoring of the systems and work on ensuring data protection.

4. Society

CREDIT BANK OF MOSCOW, as a responsible employer, actively co-operates with the *Arifmetika Dobra* charity, founded in March 2014 by the Bank’s beneficial owner Roman Avdeev for a systemic solution to the social orphanhood problem in Russia.

The Bank’s employees regularly support orphans in charity events dedicated to Children’s Day, Knowledge Day and the New Year. All funds raised are used to allow as many orphans as possible across Russia to prepare for entrance examinations at higher educational institutions and secondary specialised colleges, thus gaining a chance for a decent adult life.

More than eight hundred people supported the charity event "September 1" and, in total, over half a million roubles were collected during the campaign. On New Year’s Eve, Credit Bank of Moscow initiated a "New Year’s Miracle" and doubled pay for its employees and subscribers of CBM groups in social networks to support the foundation, and also undertook integration with Youtube and Instagram bloggers to direct public attention to the problem of orphanhood in Russia and to support the wards of the charitable foundation. As at the end of 2018, more than 700 children got a chance for a decent future thanks to CBM’s support.

Aware of its responsibility to future generations, the Bank’s management seeks to support the students of the Department of Financial Markets and Banks of the Financial University under the Government of the Russian Federation. The Bank arranges a number of activities to organise practical training for senior students, job placement for graduates, and it involves its top managers in the educational process.

In May 2018, CBM joined the large-scale "Victory Forest" campaign, dedicated to Victory Day. The staff at the "New Khimki" division of CBM planted 30 lilac bushes (different species) in memory of fallen defenders from the Second World War.

CREDIT BANK OF MOSCOW supports social projects of the Russian Federation Government and seeks to take all possible measures within its powers to improve the quality of life of pensioners by developing financial services for them, offering products and supporting projects of the "Russian Union of Pensioners" in Moscow.

Top managers of Credit Bank of Moscow feature in the "Top 1000 Russian Managers" rating by Kommersant Publishing House which has been published annually for the last 19 years now and which is an objective tool for assessing the professional reputation of high-ranking Russian managers. The rating brings to light the most professional managers of Russia, as recognised by the representatives of the professional community.

In 2018, the "TOP-1000" list included the Chairman of the Board of Directors of Rossium Concern, Roman Avdeev - the main shareholder of CBM - in the category "Top managers". Vladimir Chubar, Chairman of the Management Board of CBM, featured in the Top-5 executive-board chairmen of commercial banks; Mikhail Polunin, First Deputy Chairman of the Management Board, numbered among the Top-5 commercial bank executives in the category "Chief Financial Officers"; and Pavel Shevchuk, First Deputy Chairman of the Management Board, appeared in the Top-3 commercial bank managers in the category "Business development directors".

5. *Environmental management.*

To achieve sustainable development, the Bank actively maintains and extends its existing customer base, strengthens its image and business reputation at local and international levels and builds trust-based, transparent and long-term relationships with its employees, shareholders and investors, paying great attention to social responsibility and environmental culture. In addition, the significant issues that concern the Bank are meeting social and environmental commitments, including ecological consciousness and social responsibility involved in the lending process.

The Bank's business reputation, competitive advantages, itsability to meet comprehensively the growing needs of its existing and prospective customers, its aptitude in building transparent relationships both internally (staff) and externally (customers, counterparties, financial partners, authorities, mass media etc.) depend on its ability to integrate promptly, through its social and environmental (S&E) management system, ecological risk management procedures and S&E-oriented management principles into its business model, thus ensuring compliance with the standards applied by the leading international financial institutions and the requirements of effective social and environmental legislation, which strengthens its competitive advantages and business reputation.

The S&E management system's functions and authorities are clearly distributed among the Bank's management bodies and subdivisions involved in the credit process. The overall policy implementation is supervised by the Bank's senior executive appointed as social and environmental manager and coordinated by its officer designated as the social and environmental coordinator. Thanks to this fine-tuned system, financing and services are provided by the Bank in compliance with health and safety regulations, and labour and environmental standards and regulations of the Russian Federation.

The Bank's S&E management system is described in its Social and Environmental Policy which allows not only to analyse social and ecological risks, as well as the possibility to minimise them, but also to set due approaches to managing relevant activities in health protection, ecology and safety, which provides for an improvement of the social and environmental management system through the introduction of an efficient environmental risk management mechanism into the Bank's business processes.

The Bank's environmental policy is regularly improved to ensure that the credit process adapts to the current requirements of national environmental laws and international S&E risk management requirements and standards used by leading international financial institutions in assessing financed projects. Such activities promote social responsibility of the Bank's employees and their involvement in evaluating the environmental impact of clients' activities and their projects financed by the Bank, at all stages of the credit process.

The Bank actively endorses the concept of cleaner production and seeks to further its practice, which involves the continuous application of an integrated preventive environmental strategy for modifying processes, products and services to increase overall efficiency, environmental and economic performance. Regular consultations with customers on their S&E compliance and overall awareness of changes in national environmental laws and requirements of its international shareholder allow them to reduce S&E risks and implement the principle of information openness and transparency. Prospective borrowers' environmental compliance and practices are important factors for their on-boarding by the Bank.

In classic lending and in other forms of financial support offered to customers, the Bank adheres to its international shareholder's S&E requirements: EBRD Performance Requirements (PR1-PR10). The Bank does not finance any projects related to business activities named on the EBRD Environmental Exclusion List.

The EBRD not only delegated to the Bank the responsibility for initial appraisal and monitoring of current transactions as regards S&E risks, but also the overall management of the entire loan portfolio in terms of its compliance with applicable S&E standards.

The Bank pays close attention to preventive risk management, control and monitoring of residual risks, also evaluating their impact on the sensitivity of the loan portfolio to social and environmental components. The Bank, following its principles and meeting the requirements and norms of the environmental legislation of the Russian Federation, international standards in managing social and environmental measures, extends its area of social and environmental responsibility every year.

Regular internal audits, monitoring of the loan portfolio for identification and assessment of S&E risks as well as analysis of the Bank's credit process in general notably improve the S&E efficiency of the Bank's lending activities, which are based on an understanding of the significance of the S&E component in due diligence of projects financed by the Bank.

The EBRD's experts regularly visit the Bank to monitor its loan portfolio for compliance with international environmental standards, which results in a full and impartial picture of its S&E efforts made during a year.

The Bank makes annual S&E reports on its borrowers' compliance with S&E requirements and the overall S&E indicators of its total loan portfolio. As at the end of 2018, the Bank's loan portfolio did not contain any loans which would involve environmental problems, no events were identified where a deal made was turned down for S&E reasons, or where borrowers were involved in lawsuits, had accidents, received complaints, were fined or otherwise sanctioned due to their non-compliance with any requirements of applicable environmental laws.

The Bank is working on making its activities more energy efficient to minimise negative environmental impacts.

CONTACTS

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APPENDICES

Appendix 1

Statements under IFRS

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018
(in millions of Russian Roubles unless otherwise stated)

	Notes	2018	2017
Interest income calculated using the effective interest method	6	133 287	122 358
Other interest income	6	4 646	4 601
Interest expense	6	(89 518)	(81 679)
Net interest income	6	**48 415**	**45 280**
Charge for credit losses on debt financial assets	11,12, 14,15	(2 221)	(18 597)
Net interest income after credit losses on debt financial assets		**46 194**	**26 683**
Fee and commission income	7	15 829	15 510
Fee and commission expense	7	(3 483)	(3 002)
Net loss on loans to customers at FVTPL		(5 611)	-
Net (loss) gain on other financial instruments at FVTPL		(189)	773
Net loss from sale and redemption of financial assets at FVOCI		(251)	-
Net realised gain on available-for-sale assets		-	341
Net foreign exchange gains		2 723	2 701
Impairment (losses) recoveries on other non-financial assets, credit (losses) recoveries on other financial assets and credit related commitments and other provisions	9	(2 895)	(264)
State deposit insurance scheme contributions		(1 906)	(1 286)
Operating lease income		81	1 634
Net income from disposal of subsidiaries	34	637	1 076
Other net operating income (expense)		3 366	(593)
Non-interest income		**8 301**	**16 890**
Operating income		**54 495**	**43 573**
Salaries and employment benefits	8	(12 290)	(9 516)
Administrative expenses	8	(6 085)	(5 377)
Depreciation of property and equipment		(1 051)	(1 863)
Operating expense		**(19 426)**	**(16 756)**
Profit before income taxes		**35 069**	**26 817**
Income tax	10	(7 845)	(6 114)
Profit for the year		**27 224**	**20 703**

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018
(in millions of Russian Roubles unless otherwise stated)

	Notes	2018	2017
Profit for the year		**27 224**	**20 703**
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
- revaluation of buildings		(115)	(132)
- income tax for revaluation of buildings		23	26
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (debt instruments):			
- net change in fair value		(3 818)	474
- net amount transferred to profit or loss		(160)	(545)
Exchange differences on translation:			
- exchange differences on translation		-	6
- exchange differences transferred to profit or loss on disposal of subsidiary		-	(51)
Income tax related to items that are or may be reclassified subsequently to profit or loss		796	20
Other comprehensive loss for the year, net of income tax		**(3 274)**	**(202)**
Total comprehensive income for the year		**23 950**	**20 501**
Basic and diluted earnings per share (in RUB per share)	33	**0.89**	**0.79**

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Financial Position
as at 31 December 2018

(in millions of Russian Roubles unless otherwise stated)

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	11	1 162 779	934 033
Obligatory reserves with the Central bank of the Russian Federation		13 065	8 884
Due from credit and other financial institutions	12	13 183	16 369
Trading financial assets	13	15 665	117 282
- *held by the Group*	*13*	*12 909*	*95 519*
- *pledged under sale and repurchase agreements*	*13*	*2 756*	*21 763*
Loans to customers	14	709 045	768 676
- *loans to corporate clients*	*14*	*617 911*	*685 937*
- *loans to individuals*	*14*	*91 134*	*82 739*
Investment financial assets	15	214 481	25 066
- *held by the Group*		*84 703*	*23 273*
- *pledged under sale and repurchase agreements*		*129 778*	*1 793*
Investments in associates		2 275	-
Property and equipment	16	7 182	7 866
Deferred tax asset		113	281
Other assets	17	8 139	9 734
Total assets		**2 145 927**	**1 888 191**
LIABILITIES AND EQUITY			
Due to credit institutions	18	552 930	639 861
Due to customers	19	1 272 175	941 724
- *due to corporate customers*	*19*	*897 099*	*650 507*
- *due to individuals*	*19*	*375 076*	*291 217*
Debt securities issued	20	105 305	116 280
Deferred tax liability		4 248	3 779
Other liabilities	21	20 096	8 958
Total liabilities		**1 954 754**	**1 710 602**
Equity			
Share capital	22	27 942	27 942
Additional paid-in capital		46 247	46 247
Perpetual debt issued	22	46 691	40 320
Revaluation surplus for buildings		490	582
Fair value reserve for securities		(1 834)	394
Retained earnings		71 637	62 104
Total equity		**191 173**	**177 589**
Total liabilities and equity		**2 145 927**	**1 888 191**

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Cash Flows
for the year ended 31 December 2018

(in millions of Russian Roubles unless otherwise stated)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		140 326	129 680
Interest payments		(84 526)	(77 607)
Fees and commission receipts		15 568	15 606
Fees and commission payments		(3 272)	(2 989)
Net (payments) receipts from operations with securities		(217)	1 103
Net receipts from foreign exchange		22 428	13 495
State deposit insurance scheme contributions payments		(1 742)	(1 223)
Net other operating income receipts (payments)		3 099	(782)
Operating leases income receipts		81	1 633
Salaries and employment benefits paid		(11 446)	(9 312)
Administrative expenses paid		(5 063)	(5 081)
Income tax paid		(2 021)	(4 592)
Operating cash flows before changes in operating assets and liabilities		**73 215**	**59 931**
(Increase) decrease in operating assets			
Obligatory reserves with the Central bank of the Russian Federation		(4 181)	(1 597)
Due from credit and other financial institutions		3 928	366 282
Trading financial assets		(9 608)	5 644
Loans to customers		71 306	(161 646)
Other assets		2 561	(1 168)
Increase (decrease) in operating liabilities			
Due to the Central bank of the Russian Federation		-	(237 786)
Due to credit institutions except syndicated and subordinated loans		(119 684)	247 939
Due to customers except subordinated loans		278 038	191 557
Promissory notes issued		-	(1 113)
Other liabilities		2 217	1 137
Net cash from operations		**297 792**	**469 180**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment financial assets		(294 562)	(89 718)
Proceeds from disposal and redemption of investment financial assets		191 279	108 347
Net cash inflow (outflow) on disposal of subsidiary		847	(265)
Purchase of property and equipment and intangible assets		(1 345)	(1 980)
Sale of property and equipment and intangible assets		557	3
Purchase of associates		(2 275)	-
Net cash (used in) from investing activities		**(105 499)**	**16 387**

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Cash Flows
for the year ended 31 December 2018
(in millions of Russian Roubles unless otherwise stated)

	Notes	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of share capital		-	14 400
Proceeds from placement and issuance of perpetual debt		4 996	40 818
Repayment of perpetual debt issued		(6 144)	-
Interest on perpetual debt paid		(3 872)	(1 852)
Proceeds from syndicated borrowings		376	28 006
Repayment of syndicated borrowings		(11 452)	-
Proceeds from subordinated deposits		-	22 000
Repayment of subordinated deposits		-	(582)
Proceeds from placement and issuance of subordinated bonds		356	33 933
Partial redemption of subordinated bonds		(13 718)	(23 481)
Proceeds from placement and issuance of other bonds		42 421	13 229
Repayments of other bonds		(53 726)	(38 486)
Net cash (used in) from financing activities		**(40 763)**	**87 985**
Effect of exchange rates changes on cash and cash equivalents		78 514	(12 846)
Effect of changes in ECL on cash and cash equivalents		(626)	-
Change in cash and cash equivalents		**229 418**	**560 706**
Cash and cash equivalents, beginning of the year		933 361	373 327
Cash and cash equivalents, end of the year	11	**1 162 779**	**934 033**

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Statement of Changes in Equity
for the year ended 31 December 2018
(in millions of Russian Roubles unless otherwise stated)

	Share capital	Additional paid-in capital	Perpetual debt issued	Revaluation surplus for buildings	Fair value reserve for securities	Currency translation reserve	Retained earnings	Total equi
Balance as at 1 January 2017	**24 742**	**35 047**	**-**	**688**	**451**	**39**	**42 434**	**103 40**
Total comprehensive income for the year	-	-	-	(106)	(57)	(39)	20 703	**20 50**
Issue of share capital	3 200	11 200	-	-	-	-	-	**14 40**
Interest paid on perpetual debt issued	-	-	-	-	-	-	(1 852)	**(1 85**
Perpetual debt issued (Note 22)	-	-	40 977	-	-	-	-	**40 97**
Foreign exchange translation of perpetual debt issued	-	-	(657)	-	-	-	657	
Transaction costs on perpetual debt issued	-	-	-	-	-	-	(159)	**(15**
Tax effect on perpetual debt issued	-	-	-	-	-	-	270	**27**
Disposal of subsidiary	-	-	-	-	-	-	51	5
31 December 2017	**27 942**	**46 247**	**40 320**	**582**	**394**	**-**	**62 104**	**177 58**
Balance as at 31 December 2017	**27 942**	**46 247**	**40 320**	**582**	**394**	**-**	**62 104**	**177 58**
Impact of adopting IFRS 9 as at 1 January 2018 (Note 5)	**-**	**-**	**-**	**-**	954	**-**	**(8 673)**	**(7 71**
Restated balance as at 1 January 2018	**27 942**	**46 247**	**40 320**	**582**	**1 348**	**-**	**53 431**	**169 87**
Total comprehensive income for the year	-	-	-	(92)	(3 182)	-	27 224	23 95
Perpetual debt redemption	-	-	(5 897)	-	-	-	-	(5 89
Interest paid on perpetual debt issued	-	-	-	-	-	-	(3 872)	(3 87
Perpetual debt issued (Note 22)	-	-	5 049	-	-	-	-	5 04
Foreign exchange translation of perpetual debt issued	-	-	7 219	-	-	-	(7 465)	(24
Transaction costs on perpetual debt issued	-	-	-	-	-	-	(54)	(5
Tax effect on perpetual debt issued	-	-	-	-	-	-	2 373	2 37
31 December 2018	**27 942**	**46 247**	**46 691**	**490**	**(1 834)**	**-**	**71 637**	**191 17**

Appendix 2

Statements under RAS

Appendix 3

List of interested party transactions made in the reporting year (2018)

Parties	Transaction type	Material terms	Approving body	Interested party
Service recipient: the Bank **Joint lead manager and Bookrunner:** Sova Capital Limited	Acting as joint lead manager and bookrunner in respect of senior USD 500 mln Eurobonds issued by CBOM Finance plc in February 2018	**Fee amount:** USD 48,760.00 (equivalent to RUB 2,726,698.21 at the CBR's exchange rate on the **payment date** 27.02.2018)	Supervisory Board, Minutes No.3 dated 26.01.2018	R.I. Avdeev, Supervisory Board member;
Service recipient: the Bank **Joint dealer manager:** Sova Capital Limited	Acting as joint dealer manager of a tender offer made by CBOM Finance plc in June 2018 in respect of its two senior issues of loan participation notes due 2021 and 2023	**Fee amount:** USD 55,844.00 (equivalent to RUB 3,513,899.93 as at **the payment date** 25.07.2018)	Supervisory Board, Minutes No.15 dated 01.06.2018	R.I. Avdeev, Supervisory Board member;
Service recipient: the Bank **Joint dealer-manager:** Sova Capital Limited	Acting as joint dealer manager of a tender offer made by CBOM Finance plc in July 2018 in respect of its two subordinated issues of loan participation notes (perpetual and due 2027)	**Fee amount:** USD 85,000.00 (equivalent to RUB 5,594,190.00 as at **the payment date** 22.10.2018)	Supervisory Board, Minutes No. 20 dated 13.07.2018	R.I. Avdeev, Supervisory Board member;

List of major transactions made in the reporting year (2018)

None

Appendix 4

Report on Compliance with Principles and Recommendations of Corporate Governance Code

This report on compliance with the principles and recommendations of the Corporate Governance Code was reviewed by the Supervisory Board of CREDIT BANK OF MOSCOW at the meeting held on 16 April 2019 (minutes No. 11).

The Supervisory Board confirms that this report contains complete and true information on the company's compliance with the principles and recommendations of the Corporate Governance Code for 2018.

o.	Corporate governance principles	Compliance criteria	Status of compliance	Explanation of non-compliance
1.1	The company should ensure equal and fair treatment of all its shareholders in the course of exercise by them of their rights to participate in the management of the company.			
1.1.1	The company creates most favourable conditions for its shareholders, enabling them to participate in the general meeting, develop informed positions on its agenda items and provide them with the opportunity to coordinate their actions and express their opinions on the issues discussed.	1. The company's bylaws, approved by its General Shareholders' Meeting and setting out rules for holding general meetings, are publicly available. 2. The company provides accessible means to communicate with it, such as a "hotline", e-mail or Internet forum, enabling shareholders to express their opinion and propose agenda items in the course of preparations for general meetings. The company did so in respect of each general meeting held in the reporting period.	V complied with ☐ partly complied with ☐ not complied with	

1.1.2	Procedures for giving notice of the general meeting and provision of materials for it enables the shareholders to be properly prepared for participation therein.	1. General Shareholders' Meetings are announced on the website at least 30 days in advance. 2. Meeting announcements specify the venue and documents required for admission. 3. Shareholders were given access to information as to who proposed agenda items and nominees to the company's Board of Directors and Audit Panel.	V complied with ☐ partly complied with ☐ not complied with	
1.1.3	During the preparation for and holding of the general meeting, the shareholders were able, freely and in a timely manner, to receive information about the meeting and its materials, to pose questions to members of the company's executive bodies and Board of Directors, and to communicate with each other.	1. In the reporting period, shareholders were given the possibility to put questions to the company's executives and Board members before and in the course of the annual general meeting. 2. The Board of Directors' position (including minuted dissenting opinions) on each item of the agenda of general meetings held in the reporting period was included in the materials for those meetings. 3. The company gave duly entitled shareholders access to the lists of persons entitled to participate in each	V complied with ☐ partly complied with ☐ not complied with	

		general meeting held in the reporting period from the date such lists became available.		
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to demand that a general meeting be convened, nominate candidates to the company's governing bodies, and to table proposals on its agenda.	1. Shareholders could propose agenda items for the annual general meeting within at least the first 60 days of the reporting period. 2. The company did not reject any proposals made in the reporting period as regards agenda items or nominees to its governing bodies because of typos	☐ complied with ☒ partly complied with ☐ not	The first criterion is not complied with. The Bank's bylaws allow the first 30 days of a year for adding items to the agenda of the annual General Shareholders' Meeting. As shareholders have never proposed any items of agenda or nominated candidates to the Supervisory Board, it can be presumed that they are not interested in exercising that right. Given the growth of shareholders' equity and in case of proposals from shareholders on items of the agenda and candidates to the Supervisory Board, the Bank will consider reflecting this recommendation in the Charter.

		or other minor mistakes therein.	complied with	
1.1.5	Each shareholder was able to freely exercise their right to vote in the simplest and most convenient way.	1. The company’s bylaws (internal policy) entitle each participant of a general meeting may request, before that meeting is closed, a copy of their completed ballot, certified by the counting commission.	V complied with partly complied with not complied with	
1.1.6	Procedures for holding a general meeting set by the company provide an equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	1. General Shareholders’ Meetings held in the reporting period as in-person meetings (joint attendance of shareholders) had enough time allocated for reports on and discussion of the agenda items. 2. Nominees to the company’s governing and control bodies were available for answering shareholders’ questions at the meeting that voted on their nominations. 3. When making decisions related to the preparation and holding of General	V complied with partly complied with not complied with	

		Shareholders' Meetings, the Board of Directors considered using telecommunication means to enable shareholders to participate remotely in general meetings in the reporting period.		
1.2	Shareholders have an equal and fair opportunity to participate in the company's profits by means of dividends.			
1.2.1	The company has developed and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	1. The company has developed a dividend policy, which is approved by the Board of Directors and disclosed. 2. If the company's dividend policy links the size of dividends to its financials, reference is made to consolidated financials.	☐ complied with V partly complied with ☐ not complied with	The second criterion is not complied with. As of now the dividend policy refers to unconsolidated RAS financial statements, which is a long-standing practice. The Supervisory Board considered amending the dividend policy in 2018 and decided not to do it. The Supervisory Board will revert to this issue later and, if it decides positively, the relevant recommendations of the Code will be factored into the Dividend Policy.
1.2.2	The company does not make a decision on the payment of dividends, if such decision, without formally violating	1. The company's dividend policy clearly states financial/economic circumstances in which no dividends should be paid.	V complied with	

	limits set by law, is unjustified from an economic point of view and might lead to the formation of false assumptions about the company's activity.		☐ partly complied with ☐ not complied with	
1.2.3	The company does not allow deterioration of dividend rights of its existing shareholders.	1. The company did not take steps affecting existing shareholder' dividend rights in the reporting period.	V complied with ☐ partly complied with ☐ not complied with	
1.2.4	The company seeks to eliminate any ways through which its shareholders can derive any profit or gain from the company other than dividends and distribution of its liquidation value.	1. To prevent shareholders from deriving any profit (gain) from the company, other than dividends and liquidation value, its bylaws establish control mechanisms, in a timely manner, to identify and submit for approval transactions with parties affiliated (related) to material shareholders (persons entitled to cast	V complied with ☐ partly complied with	

		votes attached to voting shares) that do not formally qualify as non-arm's-length transactions.	☐ not complied with	
1.3	The system and practices of corporate governance ensure equal terms and conditions for all shareholders owning shares of the same class (category) in a company, including minority and foreign shareholders as well as their equal treatment by the company.			
1.3.1	The company has created conditions which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.	1. The procedures for managing material shareholders' potential conflicts of interest were effective during the reporting period, and any conflicts between shareholders were duly dealt with by the Board of Directors.	V complied with ☐ partly complied with ☐ not complied with	
1.3.2	The company does not perform any acts which will or might result in artificial reallocation of corporate control therein.	1. No quasi-treasury shares exist or participated in voting during the reporting period.	V complied with ☐ partly complied with	

			☐ not complied with	
1.4	The shareholders are provided with reliable and effective means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.			
1.4	The shareholders are provided with reliable and effective means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. The company's registrar maintains its share register with the quality and reliability required by the company and its shareholders.	V complied with ☐ partly complied with ☐ not complied with	
2.1	The Board of Directors is responsible for the strategic management of the company, determines major principles of and approaches to the creation of the risk management and internal control system within the company, monitors the activity of the company's executive bodies and carries out other key functions.			
2.1.1	The Board of Directors is responsible for decisions related to the appointment and removal of [members] of executive bodies, in particular upon their failure to perform	1. The Charter entitles the Board of Directors to appoint, remove, and fix the terms of contracts with, members of executive bodies. 2. The Board of Directors has reviewed the report(s) of the sole executive body	☐ complied with V partly	The first criterion is not complied with. The Bank's Charter does not specifically state the Supervisory Board's authority to fix the terms of contracts with members of executive bodies. It gives a broader

	their duties in the proper manner. The Board of Directors also ensures that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	and members of the collective executive body on implementation of the company's strategy.	complied with ☐ not complied with	definition of the Supervisory Board's competence without mentioning the particular authority to fix the terms of contracts with members and the Chairman of the Management Board. This authority, however, is set out in the Regulation on the Compensation, Corporate Governance and Nominations Committee. The Supervisory Board approves the key term of contracts - remunerations of Management Board members. The Bank is not going to amend the Charter accordingly, as it would not make any change.
2.1.2	The Board of Directors establishes basic long-term targets of the company's activity, evaluates and approves its key performance indicators and principal business goals, and evaluates and approves its strategy and business plans in respect of its principal areas of operations.	1. During the reporting period, the Board of Directors reviewed the implementation and updating of the company's strategy, approved its business plan (budget) and reviewed criteria and indicators (including those of an interim nature) pertaining to their implementation.	V complied with ☐ partly complied with ☐ not	

			complied with	
2.1.3	The Board of Directors defines principles of and approaches to arranging a risk management system and internal controls in the company.	1. The Board of Directors has defined principles of and approaches to arranging a risk management system and internal controls in the company. 2. The Board of Directors appraised the company’s risk management system and internal controls during the reporting period.	V complied with partly complied with not complied with	
2.1.4	The Board of Directors determines the company’s policy on remuneration and/or reimbursement (compensation) of its Board members, executives and other key managers.	1. The company has developed and put in place a Board-approved policy on remuneration and/or reimbursement (compensation) of its Board members, executives and other key managers. 2. The Board of Directors has reviewed issues related to the said policy(ies) during the reporting period.	V complied with partly complied with not complied with	
2.1.5	The Board of Directors plays a	1. The Board of Directors plays a key		

	key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	role in prevention, detection and resolution of internal conflicts. 2. The company has set up a system to identify transactions involving a conflict of interest, and a system of measures designed to resolve such conflicts	V complied with partly complied with not complied with	
2.1.6	The Board of Directors plays a key role in ensuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.	1. The Board of Directors has approved a regulation on the information policy. 2. The company has designated officers responsible for implementation of its information policy.	V complied with partly complied with not complied with	
2.1.7	The Board of Directors monitors the company's corporate governance practices and plays a key role in its	1. The Board of Directors has reviewed the company's corporate governance practices during the reporting period.	V complied with	

	material corporate events.		☐ partly complied with ☐ not complied with	
2.2	The Board of Directors is accountable to the company's shareholders.			
2.2.1	Information about the work of the Board of Directors is disclosed and provided to the shareholders.	1. The company's annual report for the reporting period discloses the attendance of individual directors at Board and committee meetings. 2. The annual report discloses key results of appraisal of the Board's performance during the reporting period.	V complied with ☐ partly complied with ☐ not complied with	
2.2.2	The Chairman of the Board of Directors is available to communicate with the company's shareholders.	1. The company has a transparent procedure enabling shareholders to communicate their questions and positions thereon to the Chairman of the Board of Directors.	V complied with ☐ partly	

			complied with ☐ not complied with	
2.3	The Board of Directors is an efficient and professional governing body of the company which is able to make objective and independent judgments and pass resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons with impeccable business credentials and a personal reputation, who have the knowledge, skills, and experience necessary to make decisions that fall within their competence and perform their functions efficiently are elected to the Board of Directors.	1. The procedure for appraising the performance of the company's Board includes an appraisal of Board members' professional qualifications. 2. The Board of Directors (or its nominations committee) appraised Board nominees in the reporting period in terms of their experience, knowledge, business reputation, potential conflicts of interest, etc.	V complied with ☐ partly complied with ☐ not complied with	
2.3.2	Board members are elected	1. All General Shareholders' Meetings		

	pursuant to a transparent procedure enabling the shareholders to obtain information about respective candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	held in the reporting period with agenda, including Board election, were provided by the company with biographies of all Board nominees, results of their appraisal by the Board of Directors (or its nominations committee) and information on their compliance with the independence criteria as per recommendations 102 – 107 of the Code, and their written consents to election to the Board of Directors.	V complied with partly complied with not complied with	
2.3.3	The composition of the Board of Directors is balanced, in particular, in terms of the qualifications, experience, expertise and business skills of its members. The Board of Directors enjoys the confidence of the shareholders.	1. As part of its performance appraisal procedure in the reporting period, the Board of Directors reviewed its needs in terms of professional qualifications, experience and business skills.	V complied with partly complied with not complied with	
2.3.4	Membership of the company Board of Directors enables the Board to organise its activities in a most efficient way, in	1. As part of its performance appraisal procedure in the reporting period, the Board of Directors looked into the conformity of the membership numbers	V complied with	

	particular, to create committees of the Board of Directors, and it enables substantial minority shareholders of the company to elect a nominee to the Board of Directors for whom they would vote.	to the company's needs and shareholders' interests.	☐ partly complied with ☐ not complied with	
2.4	The Board of Directors includes a sufficient number of independent directors			
2.4.1	An independent director means any person who has the necessary professional skills and expertise and who is sufficiently able to have his/her own position and make objective and bona fide judgments, free from the influence of the company's executive bodies, any individual group of its shareholders or other stakeholders. It should be noted that, under normal circumstances, a candidate (or an elected director) may not be deemed to be independent, if he/she is associated with the company, any of its substantial shareholders, material trading	1. During the reporting period, all independent Board members met all of the independence criteria as per recommendations 102 – 107 of the Code, or were qualified as such by Board resolution.	V complied with ☐ partly complied with ☐ not complied with	

	partners or competitors, or the government.			
2.4.2	The company evaluates whether its Board nominees meet the independence criteria and reviews, on a regular basis, whether or not independent Board members meet the independence criteria. When carrying out such evaluation, substance should take precedence over form.	1. In the reporting period, the Board of Directors (or its nominations committee) made an opinion on the independence of each Board nominee and made it known to shareholders. 2. At least once during the reporting period, the Board of Directors (or its nominations committee) reviewed independence of incumbent Board members named by the company as independent directors in its annual report. 3. The company has put in place procedures to be followed by any Board member who ceases to be independent, including the obligation to notify the Board of Directors thereof in a prompt manner.	V complied with partly complied with not complied with	
2.4.3	Independent directors account for at least one-third of all directors elected to the Board.	1. Independent directors account for at least one-third of Board membership	V complied with	

			☐ partly complied with ☐ not complied with	
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and performance by the latter of material corporate actions.	1. Independent directors (who do not have a conflict of interest) pre-examine material corporate actions involving a potential conflict of interest, and report the results to the Board of Directors.	V complied with ☐ partly complied with ☐ not complied with	
2.5	The chairman of the Board of Directors helps it perform the functions imposed thereon in a most efficient manner.			
2.5.1	The Board of Directors is chaired by an independent director, or one of the elected independent directors is designated as the senior independent director to	1. The Board of Directors is chaired by an independent director, or one of the independent directors is designated as the senior independent director.	V complied with ☐ partly	

	coordinate their work and liaise with the chairman of the Board of Directors.	2. The role, powers and responsibilities of the Chairman of the Board of Directors (and, if applicable, the senior independent director) are duly set out in the company's bylaws.	complied with ☐ not complied with	
2.5.2	The Board Chairman ensures that Board meetings are held in a constructive atmosphere and that any items on the meeting agenda are discussed freely. The chairman also monitors fulfilment of decisions made by the Board of Directors.	1. Performance of the Chairman of the Board of Directors was appraised as part of the procedure for appraising Board performance during the reporting period.	V complied with ☐ partly complied with ☐ not complied with	
2.5.3	The Chairman of the Board of Directors takes any and all measures as may be required to provide the Board members in a timely fashion with information required to make decisions on agenda items.	1. The company's bylaws set out the duty of the Chairman of the Board of Directors to take measures to ensure Board members are provided with materials on agenda items of Board meetings in a timely manner.	V complied with ☐ partly complied with	

			☐ not complied with	
2.6	Board members act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.			
2.6.1	Board members make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the company equally and assuming normal business risks.	1. The company's bylaws require Board members to notify the Board of Directors if they have a conflict of interest in respect of any Board or committee meeting's agenda item before that item is taken up. 2. The company's bylaws require that Board members do not vote on any issue in which they have a conflict of interest. 3. The company has a procedure allowing the Board of Directors to seek professional advice on issues within its competence at the company's expense.	V complied with ☐ partly complied with ☐ not complied with	
2.6.2	Rights and duties of Board members are clearly stated and documented in the company's bylaws.	1. The company has adopted and published a bylaw clearly stating Board members' rights and duties.	V complied with ☐ partly	

			complied with ☐ not complied with	
2.6.3	Board members have sufficient time to perform their duties.	1. Individual attendance of, and time committed to preparations for, Board and committee meetings were taken into account in the course of Board appraisal in the reporting period. 2. The company's bylaws require that Board members notify the Board of Directors of their intention to serve in governing bodies of other entities (save	V complied with ☐ partly complied with	

		for the company's controlled and dependent entities) and of any such appointment.	☐ not complied with	
2.6.4	All Board members have equal opportunities to access the company's documents and information. Newly elected Board members are provided with sufficient information about the company and work of its Board of Directors as soon as practicable.	1. The company's bylaws entitle Board members to access documents and make enquiries concerning the company and its controlled entities, and its executive bodies must provide the relevant information and documents. 2. The company has a formalised on-boarding programme for newly elected Board members.	☐ complied with V partly complied with ☐ not complied with	As of the year end 2018 the second criterion is not complied with. As of the date of current report review by the Supervisory Board a formalised program has been drafted and is approved.
2.7	Meetings of the Board of Directors, preparation for them, and participation of Board members therein ensure the efficient work of the Board.			
2.7.1	Meetings of the Board of Directors are held as needed, with due account for the company's scope of activities	1. The Board of Directors met at least six times in the reporting year.	V complied with	

	and its then current goals.		☐ partly complied with ☐ not complied with	
2.7.2	A procedure for preparing for and holding meetings of the Board of Directors is set it out in the company's bylaws.	1. It enables the shareholders to get properly prepared for such meetings. The company approved a bylaw setting out the procedure for preparing and holding Board meetings, requiring, inter alia, at least 5 days' notice of any meeting, as a general rule.	V complied with ☐ partly complied with ☐ not complied with	

2.7.3	The form of a Board meeting is chosen depending on the importance of items on its agenda. The most important issues are decided at in-person meetings.	1. The company's Charter or bylaws require that the most important issues (as listed in recommendation 168 of the Code) are reviewed at in-person Board meetings.	☐ complied with ☒ partly complied with ☐ not complied with	The principle is complied with only partially. The issues recommended by the Code to be reviewed at in-person meetings are not always reviewed so. Although some issues are put for absentee voting, decisions are collectively discussed on conference calls among Supervisory Board members, who may express their dissenting opinion (if any). The Supervisory Board believes such form of communication effectively facilitates prompt decision-making and reinforces the Bank's competitiveness. The Supervisory Board considered amending the Charter or other bylaws accordingly but decided not to do it.
2.7.4	Decisions on most important issues relating to	1. The company's Charter requires that the most important issues, listed in		The principle is not complied with. However, the Bank makes sure all of its

	the company's business are made at a Board meeting by a qualified majority vote or by a majority vote of all elected Board members.	recommendation 170 of the Code, be decided at Board meetings by a qualified majority of at least three quarters of votes, or by a majority vote of all elected Board members.	☐ complied with ☐ partly complied with V not complied with	elected directors participate in Supervisory Board meetings and, in 2018, the recommendation to take decisions "by a majority vote of all elected Board members" was effectively complied with. The Supervisory Board considered amending the Charter accordingly but decided not to do so.
2.8	The Board of Directors forms committees for preliminary consideration of the most important issues of the company's business.			
2.8.1	An audit committee comprised of independent directors was set up to pre-consider any matters of control over the company's financial and business activities.	1. The Board of Directors set up an audit committee comprised exclusively of independent directors.		The first criterion is not complied with. Most members of the Supervisory Board's Audit and Risk Committee are independent, which meets Moscow Exchange's requirements for admission to the first level quotation list. The Committee is formed so as to ensure the right balance of independence

		2. The company's bylaws set out the audit committee's tasks, including those listed in recommendation 172 of the Code. 3. At least one audit committee member is an independent director, experienced and knowledgeable in preparing, analysing, reviewing and auditing financial statements. 4. The audit committee met at least once per quarter during the reporting period.	☐ complied with V partly complied with ☐ not complied with	and professionalism, with independent directors being given the key role. The only non-independent director on the Audit and Risk Committee does not meet any specific criteria of dependence.

2.8.2	A remuneration committee comprised of independent directors and chaired by an independent director who is not the Board Chairman was set up to pre-consider any matters concerning the development of effective and transparent remuneration practices.	1. The Board of Directors set up a remuneration committee comprised exclusively of independent directors. 2. The remuneration committee is chaired by an independent director who is not the Chairman of the Board. 3. The company's bylaws set out the remuneration committee's tasks, including those listed in recommendation 180 of the Code.	[ ] complied with [V] partly complied with [ ] not complied with	The second criteria is not complied with. The Committee is chaired by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board was elected the Chairman of the Compensation, Corporate Governance and Nominations Committee based on his competence.
2.8.3	A nomination (appointments, HR) committee, composed mostly of independent directors, was set up to pre-consider any matters	1. The Board of Directors set up a nomination committee (or its tasks listed in recommendation 186 of the Code are carried out by another committee), comprised mostly of independent directors.	[V] complied with	

	relating to HR planning (succession planning), the professional mix and efficiency of the Board of Directors.	2. The company's bylaws set out the nomination (or substitute) committee's tasks, including those listed in recommendation 186 of the Code.	☐ partly complied with ☐ not complied with	
2.8.4	Taking account of its scope of activities and levels of related risks, the company's Board of Directors checked that its committees' membership is fully consistent with its tasks and the company's business goals. Additional committees were either formed or considered unnecessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee etc.).	1. In the reporting period, the Board of Directors reviewed its committees' membership for consistency with its tasks and the company's business goals. Additional committees were either formed or considered unnecessary.	V complied with ☐ partly complied with ☐ not complied with	
2.8.5	The composition of the committees is determined	1. Board committees are chaired by independent directors.	V complied with	

	in such a way as to allow a comprehensive discussion of issues being considered on a preliminary basis with due account given to differing opinions.	2. The company's bylaws (policies) limit non-member attendance of audit, nomination and remuneration committee meetings to those invited by the chairman of the corresponding committee.	☐ partly complied with ☐ not complied with	
2.8.6	The chairmen of the committees regularly inform the Board of Directors and its Chairman of the work of their committees.	1. The chairmen of the committees reported to the Board of Directors on the work of their committees on a regular basis during the reporting period.	V complied with ☐ partly complied with ☐ not complied with	
2.9	The Board of Directors ensures evaluation of the quality of its work and that of its committees and Board members.			
2.9.1	Appraisal of the Board of Directors' performance is aimed at determining how effectively the Board of	1. Self-appraisal or external appraisal of the Board's performance made in the reporting period included performance appraisal of committees, individual Board	V complied with	

	Directors, its committees and Board members work and whether their work meets the company's needs, at making their work more intensive and identifying areas for improvement.	members and the Board as a whole. 2. Results of the Board of Directors' self-appraisal or external appraisal made during the reporting period were reviewed at an in-person Board meeting.	☐ partly complied with ☐ not complied with	
2.9.2	Performance of the Board of Directors, its committees and Board members is appraised on a regular basis, at least once a year. To conduct an independent performance appraisal of the Board of Directors' work, an outside organisation (consultant) is engaged on a regular basis, at least once every three years.	1. The company engaged an outside organisation (consultant) to conduct an independent performance appraisal of the Board of Directors at least once in the last three reporting periods.	V complied with ☐ partly complied with ☐ not complied with	
3.1	The company's Corporate Secretary is responsible for efficient interaction with the shareholders, coordination of the company's actions designed to protect the rights and interests of its shareholders, and support of effective work of its Board of Directors.			
3.1.1	The Corporate Secretary has the knowledge, experience, and qualifications sufficient for	1. The company has adopted and disclosed a Corporate Secretary Regulation.	V complied with	

	performance of his/her duties, as well as an impeccable reputation and enjoys the trust of the shareholders.	2. The company's website and annual report discloses the Corporate Secretary's background in the same amount of detail as for Board members and executives.	☐ partly complied with ☐ not complied with	
3.1.2	The Corporate Secretary is sufficiently independent of the company's executive bodies and is vested with powers and resources required to perform his/her tasks.	1. The Board of Directors approves the Corporate Secretary's appointment, removal and bonuses.	V complied with ☐ partly complied with ☐ not complied with	
4.1	The company pays such remuneration that is sufficient to attract, motivate and retain persons having the required skills and qualifications. The company's directors, executives and other key managers are remunerated in accordance with an approved remuneration policy.			
4.1.1	The company remunerates its directors, executives and other key managers sufficiently to motivate	1. The company has adopted bylaws (policies) on remuneration of Board members, executives and other key managers, clearly setting out approaches	V complied with	

	them to work effectively and to attract and retain knowledgeable, skilled and duly qualified persons. The company avoids paying them more than necessary or unreasonably more than it pays to its staff.	to such remuneration.	☐ partly complied with ☐ not complied with	
4.1.2	The company's remuneration policy was developed by its remuneration committee and approved by the Board of Directors. With the aid of its remuneration committee, the Board of Directors monitors the company's implementation of and compliance with the remuneration policy and, where necessary, reviews and amends the same.	1. During the reporting period, the remuneration committee reviewed the remuneration policy(ies) and its (their) application in practice and, where necessary, gave recommendations to the Board of Directors.	V complied with ☐ partly complied with ☐ not complied with	
4.1.3	The company's remuneration policy provides for transparent mechanisms to be used to determine the amounts payable to Board members,	1. The company's remuneration policy(ies) provide(s) for transparent mechanisms to be used to determine the amounts payable to Board members, executives and other key managers of the company, and regulates any and all types	V complied with ☐ partly	

	executives and other key managers of the company, and regulates any and all types of payments, benefits and privileges provided to any of the above persons.	of payments, benefits and privileges provided to any of the above persons.	complied with ☐ not complied with	
4.1.4	The company has developed a reimbursement policy listing reimbursable expenses and specifying service levels provided to its directors, executives and other key managers. Such policy may form part of the company's compensation policy.	1. The company's remuneration policy(ies) or other bylaws set out rules for reimbursement of expenses incurred by its directors, executives and other key managers.	V complied with ☐ partly complied with ☐ not complied with	
4.2	The Board remuneration system ensures harmonisation of the directors' financial interests with the shareholders' long-term financial interests.			
4.2.1	The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending specific Board or committee meetings.	1. Fixed annual remuneration was the sole monetary remuneration paid to Board members for serving on the Board of Directors during the reporting period.	V complied with ☐ partly	

	The company does not use short-term incentives or bonus payments in respect of its directors.		complied with ☐ not complied with	
4.2.2	Long-term holding of shares in the company is the best way to align Board members' financial interests with the long-term interests of the company's shareholders. However, the company should not make the right to sell shares conditional upon achievement of certain performance targets, and Board members do not participate in any option programmes.	1. If the company's remuneration policy entitles Board members to shares in the company, their holding of such shares must be regulated and encouraged to be long-term by clear and disclosed rules.	V complied with ☐ partly complied with ☐ not complied with	
4.2.3	The company is not bound to pay any additional allowance or compensation in the event of early dismissal of Board members upon a change of control over the company or in any other	1. The company is not bound to pay any additional allowance or compensation in the event of early dismissal of Board members upon a change of control over the company or in any other circumstances.	V complied with ☐ partly complied with	

	circumstances.		not complied with	
4.3	The company's executive remuneration system links executives' remuneration to performance and their personal contributions thereto.			
4.3.1	Remuneration of the company's executives and other key managers is structured so as to ensure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the company's performance and personal contributions thereto.	1. During the reporting period, annual performance indicators approved by the Board of Directors were used to determine the variable portion of remuneration of the company's executives and other key managers. 2. In the course of the last appraisal of the company's executive remuneration system, the Board of Directors (remuneration committee) made sure the company uses an appropriate ratio of the fixed and variable portions of remuneration.	complied with V partly complied with not	As of the year end 2018 the third criterion is not complied with. The Regulation on Remuneration of Members of the Management Board and Selected Senior Executives of the Bank is adjusted pursuant to the corporate governance improvement plan (approved by the Supervisory Board in September 2018), accommodating the relevant recommendations. As of the date of current report review by the Supervisory Board the document has been drafted and is approved.

		3. The company has a procedure for restitution of bonuses unjustly received by its executives and other key managers.	complied with	
4.3.2	The company put in place a long-term incentive programme for executives and other key managers linked to its shares (options or other derivatives based on its shares).	1. The company set up a long-term incentive programme for its executives and other key managers linked to its shares (financial instruments based on its shares). 2. The company's long-term incentive programme for its executives and other key managers requires any shares or other financial instruments obtained thereunder to be held for three years before they can be sold. The right to sell them is subject	☐ complied with ☐ partly complied with V not complied with	Principle 4.3.2. is not complied with. The Supervisory Board considered introducing a long-term motivation programme in 2016-2017, but decided not to do so given the market conditions. However, the Compensation, Corporate Governance and Nominations Committee plans to consider a draft programme in 2019.

		to achievement of certain performance targets.		
4.3.3	Any golden parachutes paid by the company to its executives or key managers, whose powers it terminates early at the company's own initiative and with no bad faith on the part of such executives and key managers, do not exceed twice the fixed portion of their annual remuneration.	1. Any golden parachutes paid by the company in the reporting period to its executives or key managers, whose powers it terminates early at the company's own initiative and with no bad faith on the part of such executives and key managers did not exceed two times the fixed portion of their annual remuneration.	V complied with partly complied with not complied with	
5.1	The company has in place an efficient risk management and internal control system designed to provide reasonable confidence that its goals will be achieved.			
5.1.1	The company's Board of Directors has defined principles of and approaches to arranging a risk management system and internal controls in the company.	1. Responsibilities of the company's management bodies and subdivisions in respect of its risk management and internal control system are clearly defined in its bylaws/policy approved by the Board of Directors.	V complied with partly complied with not	

			complied with	
5.1.2	The company's executive bodies ensure the establishment and continuing operation of an efficient risk management and internal control system in the company.	1. The company's executive bodies distributed risk management and internal control responsibilities and authority between their subordinate managers (heads) of subdivisions and units.	V complied with partly complied with not complied with	
5.1.3	The company's risk management and internal control system makes it possible to obtain an objective, fair and clear view of its current condition and prospects, integrity and transparency of its accounts and reports, and the reasonableness and acceptability of the risks it assumes.	1. The company has an approved anti-corruption policy. 2. The company set up an accessible mechanism for informing the Board of Directors or the audit committee of any infractions of laws, the company's internal procedures or its code of ethics.	complied with V partly complied with	The first criterion is not complied with. The anti-corruption policy has been developed and is undergoing internal clearance.

			☐ not complied with	
5.1.4	The Board of Directors takes the necessary and sufficient measures to ensure that the company's existing risk management and internal control system is consistent with the principles of and approaches to its creation as set forth by the Board of Directors and that it operates efficiently.	1. The Board of Directors or its audit committee appraised the company's risk management and internal control system during the reporting period. The key results of such appraisal are disclosed in the company's annual report.	V complied with ☐ partly complied with ☐ not complied with	
5.2	The company arranges for internal audits to independently appraise, on a regular basis, the reliability and efficiency of its risk management and internal control system and corporate governance practices.			
5.2.1	To ensure internal audits, the company set up a separate subdivision or engaged an independent external entity. The functional accountability of the internal audit subdivision is delimited	1. To ensure internal audits, the company set up a separate internal audit subdivision, functionally accountable to the Board of Directors or its audit committee, or engaged a similarly accountable independent external entity.	V complied with ☐ partly complied with	

	from its administrative accountability. The internal audit subdivision is functionally accountable to the Board of Directors.		not complied with	
5.2.2	The internal audit subdivision appraises the internal control system, the risk management system and the corporate governance system. The company applies generally accepted internal audit standards.	1. Internal audit appraised the internal control and risk management system during the reporting period. 2. The company uses generally accepted approaches to internal control and risk management.	V complied with partly complied with not complied with	
6.1	The company and its activities are transparent to its shareholders, investors, and other stakeholders.			
6.1.1	The company developed and implemented an information policy enabling it to efficiently exchange information with its	1. The company's Board of Directors approved its information policy developed in line with recommendations of the Code.	V complied with	

	shareholders, investors and other stakeholders.	2. The Board of Directors (or one of its committees) reviewed matters related to the company's compliance with its information policy at least once in the reporting period.	☐ partly complied with ☐ not complied with	
6.1.2	The company discloses its corporate governance system and practices, including detailed information on its compliance with the principles and recommendations of the Code.	1. The company discloses its corporate governance system and principles, on its website and otherwise. 2. The company discloses the membership of its executive bodies and Board of Directors, specifying which directors are independent and which of them serve on which Board committee (as defined in the Code). 3. If it has a controlling party, the company publishes such party's memorandum of intentions regarding the company's corporate governance.	V complied with ☐ partly complied with ☐ not complied with	

6.2	The company discloses, on a timely basis, full, up-to-date and reliable information about itself so as to enable its shareholders and investors to make informed decisions.			
6.2.1	The company discloses information in accordance with the principles of regularity, consistency and timeliness, accessibility, reliability, completeness and comparability of disclosed data.	1. The company's information policy sets out approaches and criteria for identification, and procedures for timely disclosure, of information that can materially affect its valuation and the price of its securities. 2. If the company's securities are traded in foreign organised markets, material information is disclosed in Russia and in such markets simultaneously and equivalently during the reporting year. 3. In case of a material foreign equity interest in the company, disclosures were made during the reporting year not only in Russian, but also in one of the most widespread foreign languages.	V complied with partly complied with not complied with	
6.2.2	The company avoids using a formalistic disclosure approach and discloses material information about its activities, even if such disclosure is not required	1. During the reporting period, the company disclosed its annual and semi-annual IFRS financial statements. The company's annual report for the reporting period includes its annual IFRS financial statements together with the auditors'	V complied with partly	

	by law.	report. 2. The company discloses its capital structure in full in its annual report and on its website in line with Recommendation 290 of the Code.	complied with ☐ not complied with	
6.2.3	The company's annual report, one of the most important tools of its information exchange with shareholders and other stakeholders, contains information making facilitating appraisal of its annual performance results.	1. The company's annual report covers key aspects of its operations and financial results 2. The company's annual report covers environmental and social aspects of its operations.	V complied with ☐ partly complied with ☐ not complied with	
6.3	The company provides any information or documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.			
6.3.1	The company provides any	1. The company's information policy sets		

	information or documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.	out an easy procedure for shareholders to access its information, including information on its controlled entities, whenever required.	V complied with ☐ partly complied with ☐ not complied with	
6.3.2	When providing information to its shareholders, the company maintains a reasonable balance between individual shareholders' interests and its own need to keep confidential sensitive business information that might have a material impact on its competitiveness.	1. The company did not unreasonably deny shareholders' information requests during the reporting period. 2. Where so required by the company's information policy, shareholders are notified that certain information is confidential and acknowledge the duty of confidentiality in its respect.	V complied with ☐ partly complied with ☐ not complied with ☐ not complied with	

7.1	Any actions that will or may materially affect the company’s share capital structure and financial position and, accordingly, the position of its shareholders (“material corporate actions”) are taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed.			
7.1.1	Material corporate actions are deemed to include reorganisation of the company, acquisition of 30 or more percent of its voting shares (takeover), its entry into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions that may be expected to materially change the rights of its shareholders or infringe on their interests. The company’s Charter lists (or gives criteria of) transactions or other acts that constitute material corporate actions and as such require approval by its Board of Directors.	1. The company’s Charter lists transactions or other acts constituting material corporate actions and their identification criteria. Material corporate actions require approval by the Board of Directors. Where such corporate actions are expressly reserved by law to the General Shareholders’ Meeting, the Board of Directors gives shareholders appropriate recommendations.	[ ] complied with [V] partly complied with [ ] not	Principle 7.1.1 is partly complied with. The Bank’s Charter lists transactions requiring approval by the Supervisory Board and the General Shareholders’ Meeting as required by Russian laws, and they match the "material corporate transactions within the meaning of the Bank of Russia’s Corporate Governance Code," but are not defined as "material corporate actions" there, while being so defined in the Bank’s Corporate Governance Code. The Bank does not plan to amend the Charter, because it already complies with that recommendation in essence.

		2. The company's Charter defines material corporate actions so as to include at least: its reorganisation, acquisition of 30 or more percent of its voting shares (takeover), increasing or decreasing its share capital, listing and delisting of its shares.	complied with	
7.1.2	The Board of Directors plays a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it relies on opinions of the company's independent directors.	1. The company has a procedure allowing independent directors to express their positions in respect of material corporate actions before they are approved.	V complied with ☐ partly complied with ☐ not complied with	
7.1.3	Any material corporate actions which would affect the rights or lawful interests of the company's shareholders are made on equal terms and conditions	1. The company's Charter sets out material corporate action criteria that are lower than the statutory criteria and reflect the nature of its business.		Principle 7.1.3 is partly complied with, as the Bank's Charter does not define any transactions as "material corporate actions", but imposes additional criteria to control transactions that are not subject to approval as a matter of law,

	for all of the shareholders; if statutory mechanisms designed to protect shareholder rights prove to be insufficient to that end, additional measures are taken to protect their rights and lawful interests. In such cases, the company not only seeks to comply with the formal requirements of law but also follows the corporate governance principles set out in the Code.	2. During the reporting period, all material corporate actions were approved before they were made.	☐ complied with V partly complied with ☐ not complied with	but require the Supervisory Board's approval by virtue of the Charter.
7.2	The company has in place such a procedure for taking material corporate actions as would enable its shareholders to become fully and timely informed about them and influence them, and as would also guarantee that their rights are observed and duly protected in the course of such actions			
7.2.1	When disclosing material corporate actions, the company explains their reasons, conditions and consequences.	1. During the reporting period, the company disclosed its material corporate actions in due time and in detail, including reasons and timelines.	V complied with ☐ partly	

			complied with ☐ not complied with	
7.2.2	The company’s bylaws set out rules and procedures for material corporate actions.	1. The company’s bylaws set out a procedure for engaging an independent appraiser to evaluate assets disposed of or acquired in a major or non-arm’s-length transaction.	☐ complied with ☐ partly complied with	The principle is not complied with. All of those criteria are set forth in Russian laws. The Supervisory Board considers and will consider regularly within the matters of compliance with the best practices of corporate governance whether to amend any bylaws in line with that recommendation. As of now, it does not see any point in doing so because those recommendations are set forth in applicable laws and, in the relevant cases, would be binding on the Bank whether or not they are set out in its bylaws.

		2. The company's bylaws set out a procedure for engaging an independent appraiser to evaluate its shares to be acquired or bought back. 3. The company's bylaws set out an expanded list of criteria for qualifying Board members and other persons referred to in respective laws as interested parties.	V not complied with	